

ANNUAL REPORT 2018

For the period January 1 to December 31, 2018

National Electric Vehicle Sweden Group
and National Electric Vehicle Sweden AB

Unaudited translation from the Swedish original

In the event of differences the Swedish version shall prevail

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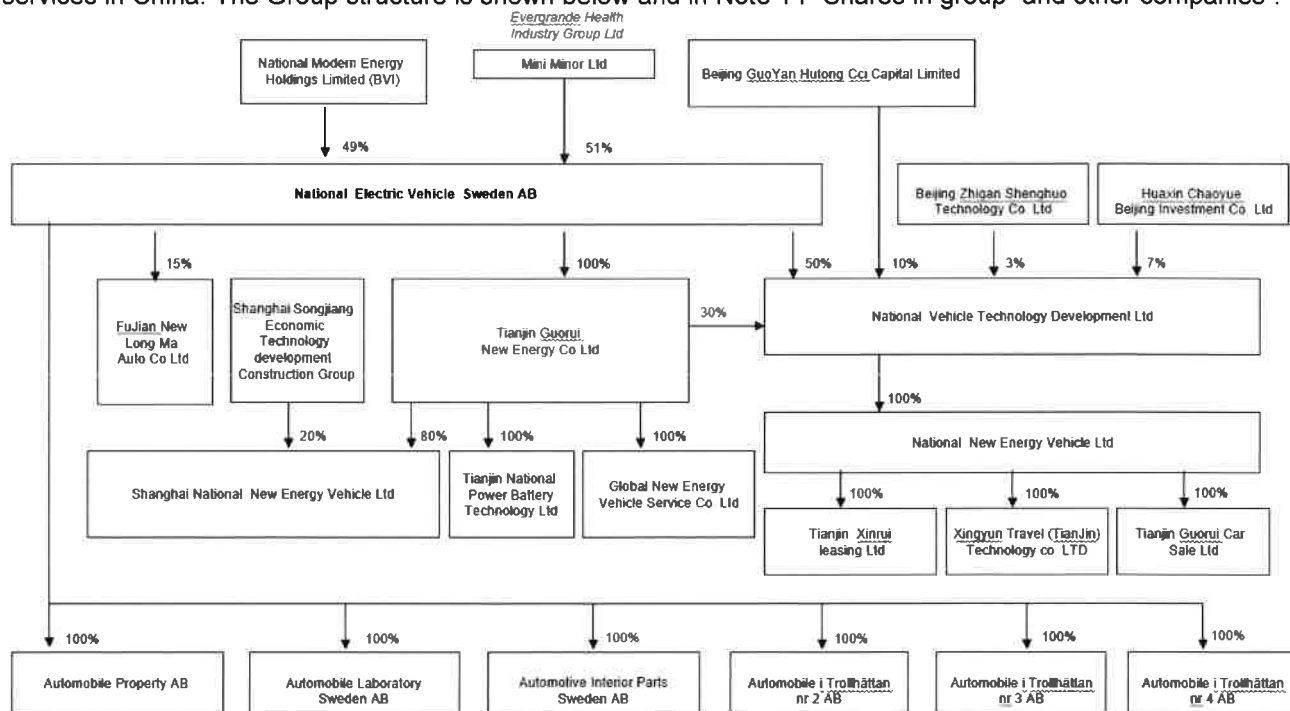
DIRECTORS REPORT

The Board and the Managing Director of National Electric Vehicle Sweden AB (NEVS), 556889-7556, domiciled in Trollhättan, hereby presents its annual accounts and consolidated accounts for the financial year January 1 to December 31, 2018.

Group structure

NEVS Group underwent significant changes in 2018. The previous owners were focused on being a part of and supporting NEVS in their start-up phase. When the company moved in to expansion, new owners entered. December 31, 2018 NEVS AB is 49% owned by National Modern Energy holdings Ltd who increased their ownership from 33% during 2018 and Mini Minor Ltd, owns 51%. Evergrande Health is from January 15, 2019 the owner of Mini Minor Ltd. Evergrande Health Industry Group Ltd. is a listed company on the Hong Kong stock exchange and is part of the Evergrande Group.

The company structure also changed in 2018. Foreign companies within automotive industry were previously not allowed to own more than 50% in their chinese subsidiaries. This regulation changed in 2018 and NEVS started the process of buying the shares of National Vehicle Technology Development Ltd from the previous owners. On December 31, 2018 NEVS AB owns 80% of NVTDL through NEVS AB and Tianjin Guorui New Energy Co. Ltd and aim to purchase the remaining 20% in the beginning of 2019. Shanghai National New Energy Vehicle Ltd. was started at the same time as NEVS decided to invest in a second Electric vehicle factory in Shanghai. The company has started subsidiaries in Tianjing with the purpose of selling cars and mobility services in China. The Group structure is shown below and in Note 14 "Shares in group- and other companies".



Company structure January 15, 2019 when Evergrande Health Industry Group Ltd acquired Mini Minor Ltd

Description of the business

NEVS vision is to create mobility for a more sustainable future.

"NEVS was founded in 2012 with the determination to create change for those around us and for coming generations. Our vision of shaping mobility for a more sustainable future is our north star, guiding everything we do. We don't believe that you need to compromise quality, safety, performance or comfort to do good. By challenging conventions, we design premium electric vehicles and mobility experiences that are simple, engaging and distinctive, but that also shape a brighter, cleaner future for all. We aim to give people who are curious and passionate about the world a way to express themselves – and invite them to take part in shaping the future of mobility."

We provide sustainable mobility solutions based on electric vehicles for individuals, business and society.

After acquiring the main assets from SAAB Automobile AB 2012, we have created a vision with a clear focus on sustainable mobility solutions. NEVS has been formed by a unique combination of Swedish engineering heritage and Chinese entrepreneurship from the green energy sector. This combined with our rich history, knowledge and skills in car manufacturing gives us a unique advantage. That means we can have a head start and focus only on what we think is the future: electric vehicles and sustainable mobility solutions.

The parent company and the Group's main business consists of designing, developing, manufacturing, marketing and distributing vehicles and mobility services under its own brand. The car industry is growing more rapidly and we are pleased because we are convinced that the future is electrified. As the first joint venture company from a non-China country, NEVS received a production license for electric vehicles in China. This means that we can start producing electric cars under our own brand locally in China. In China, there is a significant need to reduce emissions and improve the environment. With our strategic partnership with the battery supplier CATL, we will develop and deliver 100 percent electric cars to customers in China and globally in the next few years.

The parent company also sells technical services to other companies, mainly in the automotive industry, through our business NEVS Industrial Services (NIS).

Significant events during the year

- **NEVS-subsidiary in China passess Ministry of Industry and Information Technology (MIIT) Revision and obtains licenses for production and sales of electric vehicles in China**
NEVS obtained licences to produce and sell electric vehicles in China in 2018. After thorough preparation and extensive revision by MIIT, NEVS was the tenth company obtaining a EV licence and the first foreign company. This was an important milestone and the interest from banks and investors to be part of the journey ahead increased significantly.
- **Construction work for a second car factory in Shanghai started in 2018**
NEVS Board decided for NEVS to enter into a cooperation with Shanghai, Songjian Government to build a plant to produce electric cars. The work started in June with a Kick off ceremony and the

construction work was at full speed by the end of 2018. The new factory is built using the same layout and principles as the one in Tianjin, but at double capacity. The localisation in the densely populated region of Shanghai is very favourable.

- **New owner and funding**

By the end of the year a new owner entered, with focus on growth and expansion. Since 2014 the owners supported NEVS start-up in China and Tianjin and they made clear that for the next step of the expansion new owners was needed. A very promising attempt was made with GSR Investment fund starting in 2017, but came to an end when one of Chinas largest Real estate companies, Evergrande Health, decided to invest in NEVS and purchase 51% of the shares in the company. This was announced on January 15, 2019. Evergrande is listed on the Hongkong stock exchange and sees the opportunities to expand into mobility and electric car market. During 2018, authorities has changed the regulations for automotive JV:s not to fully own their subsidiaries in China. NEVS started to restructure the company by buying back shares and owned by the end of 2018 80% of the shares in its subsidiary in Tianjin NVTD with the plans to be a wholly owned subsidiary in the beginning of 2019. The subsidiary in Shanghai is owned to 80%.

- **Development of 9-3 EV and preparation of the plant in Tianjin.**

The project is delayed compared to the original project plan due to lack of financial resources during 2018. This situation occurred in the transition between the old and new owners, start-up and growth phase and the company was not able to do this transition without disturbances in the operations. The current plans are to have a strong and quick ramp-up and expansion in 2019 and 2020. Testing and validation of 9-3EV was not ready in time 2018 as the finalization of some component systems were not ready. On the other hand, the preparation of the factory in Tianjin has continued according to plan and is ready for production. The Operations in Tianjin passed 1000 employees in the beginning of year 2019 and production is planned to start in 2019. Chassi components were produced in Trollhättan in the end of 2018 for shipment and final production in Tianjin.

- **New agile way of working at product development in Trollhättan**

In an environment of multiple disruptions in the automotive industry, new ways of working is necessary. The agile way of working is known from industrys who already passed these challenges and where customer value to a large extent is created by software rather than hardware. NEVS is working according to these principles since 2018, and the Trollhättan site lead the way in the group to prepare for future mobility.

Management and Board of Directors

Management

During the year, NEVS management team has changed as follows:

- As of December 31, 2018 Patrik Björklund replaced Jörgen Scribe as CFO.
- Frank Smit replaced Hans Martin Düringhof as head of Engineering and product development
- September 1, 2018 Anna Haupt joined the management team 08 10 2018 as head of Product strategy and innovation.
- Ola Einarsson replaced December 1, 2018 8 Fredrik Ahlström as head of Purchasing and Nevs industrial services.
- As of December 7, 2018 , Freddy Ploj replaced Göran Patriksson as head of Manufacturing and facilities
- NEVS has a clear division between the management for NEVS AB and NEVS Group

The management team for NEVS Group December 31, 2018:

<i>Namn</i>	<i>Titel</i>	<i>Ort</i>
Stefan Tilk	President & CEO	Trollhättan, Sweden
Patrik Björklund	CFO	Trollhättan, Sweden
Fang Chi	China Business	Tianjin, China
Jinchun Peng (James)	China Operations	Tianjin, China
Morgan Fransson	COO NEVS AB	Trollhättan, Sweden
Jonas Hernqvist	Sales & Marketing	Trollhättan, Sweden
Lin Tang (Stanley)	Marketing & Sales Director	Tianjin, China
Daniel Roos	Strategy & Business Development	Trollhättan, Sweden
Frank Smit	Engineering & Product Development	Trollhättan, Sweden
Anna Haupt	VP Product Strategy, Innovation Management	Trollhättan, Sweden

Management team for NEVS AB December 31, 2018:

<i>Namn</i>	<i>Titel</i>
Morgan Fransson	COO NEVS AB
Patrik Björklund	CFO
Anette Johansson	Human Resources
Jonas Hernqvist	Sales & Marketing
Conny Janson	IT
Ola Einarsson	Purchasing & NIS
Fredrik Fryklund	Communications & Public Affairs
Maria Oinas	Quality & Environment
Frank Smit	Engineering & Product Development
Freddy Ploj	Manufacturing & Facilities
Lars Zetterberg	Legal
Anna Haupt	VP Product Strategy, Innovation Management

Board of directors

Members of the board of NEVS December 31, 2018:

<i>Namn</i>	<i>Titel</i>
Kai Johan Jiang	Chairman
Stefan Tilk	Vice Chairman
Finn Johnsson	Board member
Mikael Kubu	Board member
Ronnie Hermansson	Employee representative
Stefan Larsson	Deputy Employee Representative

Out of the company's Board of Directors, the following people work full time for the company:

Kai Johan Jiang, Chairman

Stefan Tilk, Vice Chairman, President and CEO of NEVS Group and NEVS AB.

Ronnie Hermansson, Manager Propulsion Testing, Employee Representative

Work of the Board of directors during 2018

Eight Board meetings were held during 2018. Minutes were taken at all meetings.

The Board has two separate committees;

Remuneration Committee - Chairman Kai Johan Jiang

Audit Committee - Chairman Finn Johnsson

The Board of directors has worked diligently to finance the activities and the business plan for the company, develop the product and services of the company and establish the company in China. The work to start new cooperation and increase growth and production capacity and at the same time secure funding and new owner, Evergrande has been successful.

The work to develop and establish NEVS EV-eko system with different partners and authorities governments continued during 2018.

The Remuneration committee met once during 2018.

Members of the remuneration committee December 31, 2018:

<i>Namn</i>	<i>Titel</i>
Finn Johnsson	Chairman
Mikael Kubu	Member
Kai Johan Jiang	Member

The Audit committee met six times in close connection to NEVS board meetings during 2018. The Auditors, EY, participated in all six meetings. 2018 was a year with great financial challenges for NEVS, where the Audit committee focused their work on cash flow for the company and to secure stable long-term financing.

The positive development in the end of the year with restructuring of both ownership and company structure to create a stable financing is very rewarding for the Audit Committee. Internal control and compliance (IC&C) has further been strengthened in 2018. An IC&C charter for 2018 was made and decided with clear focus areas and action plans for each quarter during the year. The company has worked diligently with these plans and actions and the result was reported back to the Audit committee. Audit remarks both from the Auditors and from own internal audits were closed as planned. The work to improve on NEVS corporate governance intensified during 2018. The direction was to prepare the company to live up to requirements equal to a listing on the Hong Kong or Stockholm stock exchange by 2020. This can now serve as a base to comply with reporting requirements from Evergrande during 2019. Financial policies and procedures have been developed and implemented with training, mainly for finance employees. A "Hard close" was made by the end of September for an early warning of issues to be solved until year-end with very good result. The work to comply with the new European GDPR law was conducted successfully and a NEVS policy decided on. IT security was another topic on the Audit committee agenda during 2018.

Enterprise risk management continued during 2018 with focus on managing risks in a global context.

A summary of the financial risk factors considered to be most important for NEVS is presented further down in the Directors Report.

Members of the Audit Committee december 31, 2018:

<i>Namn</i>	<i>Titel</i>
Finn Johnsson	Chairman
Stefan Tilk	Member
Mikael Kubu	Member

Environmental information

NEVS AB is conducting business that requires permission under SFS 1998: 808 "Miljöbalken" (environmental code) chapter 9:

- Maincode: Mechanical metalworking with a production surface bigger than 100 000 m², licence A and business code 34.60
- Subcode: code: Metalworking, license B and business code 34.30
- Subcode: Metal and plastic finishing, degreasing and paint removal, license B and business code 28.20
- Subcode: Consumption of organic solvents, license obligation B and business code 39.10

NEVS AB is permitted to produce 150 000 cars per year and our conditions relate to emissions to air and water, waste management, noise, chemical handling, reduced raw material consumption and risk mitigation measures. Through our operations, NEVS has producer responsibility for cars and batteries according to SFS 2007: 185 Regulation on producer responsibility for cars and SFS 2008: 834 Battery Liability Regulatory Notice.

NEVS AB is authorized to transport hazardous waste.

NEVS AB reports to the Chemicals Inspectorate Product Registers.

NEVS AB is also covered by SFS 2004: 1199 Emissions trading act and SFS 2014: 266 Act on energy mapping in large companies.

NEVS AB is not subject to injunction, prohibition or environmental sanction fee.

NEVS AB is working according to ISO 14001 since 2015.

According to the new EU directive aimed at the company's work on sustainability issues a sustainability report for 2018 was established. The report includes; human rights, anti-corruption and environmental aspects. The report is available on our website www.nevs.com.

Significant events after the end of the period

- **Evergrande Health**
Evergrande Health Industry Group Ltd. Announced on January 15, 2019 it's investment in NEVS AB. This was the end of a very intense work of buying out old owners and setting a new ownership structure with two owners of NEVS AB; National Modern Energy Holdings Ltd 49% and Evergrande Health Industry Group Ltd 51%. A New Board of Directors was appointed and resources were made available in order for NEVS to speed up the start of production in the Tianjin factory and to develop electric car models and establish more production capacity in China.
- **Koenigsegg cooperation**
The Board of NEVS AB decided on January 14, 2019 to enter into a cooperation with Koenigsegg. The purpose is to strengthen the technology base for electric vehicles and to produce vehicles together. Christian von Koenigsegg is appointed CEO of the the JV owned to 65% by NEVS AB and to 35% by Koenigsegg Automotive AB. The JV Agreement was signed on January 29, 2019.

Financing

As a result of the obtained production and sales licence for electric vehicles in China and a new financially strong owner making financial resources available for NEVS, the history with tight financial situation is left behind. The company has received financial funds covering current expenses over the next 12 months and to start production in the Tianjin plant.

With owners committed for growth, NEVS is well prepared to finalize validation of the 9-3EV car, start production and increase capacity rapidly in China. In Europe the journey for future mobility solutions is ready to take off.

Comments to the consolidated income statement and balance sheet

Multi-year overview of the group

SEK ('000)	2018	2017	2016	2015	2014
Net sales	73 827	72 330	200 335	78 528	75 377
Result for the period	-1 214 596	-996 262	-992 908	-335 050	-1 235 410
Total assets	8 537 878	4 967 231	3 461 678	3 180 531	2 301 276
Total equity	451 366	1 336 834	2 111 860	3 054 471	1 569 147
Average number of employees	1 579	962	679	394	525

Gross margin

Net sales for the group was at the same level as in 2017 and consisted mainly of services sold to other companies. Cost of sales for these services was lower than 2017 and the gross margin was better. As the factories were under construction and conversion during the year and no production took place, the cost for preparation is accounted for under other operating expenses for 2018.

Administrative expenses

The administrative expenses for the group were slightly higher than in 2017 due to the activities in Tianjin, China coming closer to start of production. At the same time, administrative expenses in Trollhättan has been reduced, partly offsetting the increase in Tianjin as work on behalf of Tianjin was reduced. Administrative expenses includes IT cost 148 MSEK (141) and general overhead and marketing 295 MSEK (290).

Other Operating expenses

Other operating expenses includes write-down and losses of retired and disposed assets of 27 MSEK (90) in manufacturing before start up of production and expenses relating to the factories 90 MSEK (104) as they were not used for any active production during the year.

Financial income and expenses

The financial income and expenses are mainly accrued interest on loan from related companies 145 MSEK (95), interest on other loans 115 MSEK (25) and exchange rate differences 81 MSEK (1).

Assets

The change in tangible assets consists of depreciation according to plan and investments in the start-up of the business in Tianjin SEK 2 433 MSEK (2 103). Cash and cash equivalents increased through loans from owners to 1 188 MSEK (95).

Liabilities/financing

The increase in current liabilities by 3 443 MSEK relates primarily to an increase of interest bearing liabilities 937 MSEK and an increase of debts to related parties 2 560 MSEK as loans from National Modern Energy Holdings Ltd, State Holdings Group and Mini Minor Ltd (from January 15, 2019 Evergrande Health).

Risk management and material uncertainties

The Board and Management has worked intensively during 2018 to strengthen Risk management within the NEVS Group. Focus has been moved from assessment of - to management of risks. Risk was analysed by likelihood and magnitude, an owner was appointed, action plans were made and progress reported ultimately to the Audit committee once a quarter. Financial risk was one of the major risks for NEVS during the year and the Audit committee and the board worked hard to manage the risk and handle the consequences.

Financing risk

In addition to the funds available in the group at the end of the year, the business plan of the group requires additional financing to be implemented. The new owners are committed to the investments necessary. Based on resources made available a faster ramp-up can be worked into the business plan and the risk assessment for financing was reduced from high and likely to low and unlikely.

The group has a financial plan to cover the next five years. To monitor developments affecting the short-term compared to the long-term plan, the group periodically conducts liquidity forecasts for up to a two-year perspective.

Internal Control

In January 2017, a person was appointed to handle the internal control process. Internal control applies to all activities within NEVS Group. It is about the efficiency and performance of the business, the reliability of reporting and processes as well as compliance with laws and regulations. It is also about values and deceptive behavior. Questions and actions are reported to the Audit Committee, external auditors and the Board if required. Internal control reduces the risk of misunderstanding and creates increased confidence, materiality for staff, investors and other stakeholders.

Liquidity

During the month of December, the company has received liquid funds from its owners. Cash and cash equivalents amounted to SEK 1,188 million in the Group as of December 31, 2018, which means that, together with additional liquid funds from its owner in January 2019, there are liquid funds for operation of the company for the next twelve months. In cases where investment decisions are made in accordance with the company's business plan, it will be linked to additional owner contributions. Further liquidity has been postponed after the turn of the year, see also "Significant events after the end of the financial year". Loans from the shareholders shall be converted into equity before due date.

Currencies

The group has companies in Sweden and China. In the future, a significant part of the Group's activities and assets will be found in China. The Group will endeavor to balance cash flows and assets/liabilities in a manner that limits the net exposure in the respective currencies.

Net impact on equity if the exchange rate is changed by 5%

	Equity	of which through profit or loss
	SEK ('000 000)	SEK ('000 000)
USD	135	135
CNY	56	-170

Interest

As all of the Group's interest-bearing assets and liabilities as of December 31, 2018, are covered by contract-based interest rates, there is no risk in the existing interest rate. If it becomes more difficult for the group to finance its activities, there is a risk that the cost of future financing will increase.

Delays

The risk for further delays to introduce 9-3EV is assessed as low. Resources are now made available for the company and Evergrande group is actively communicating with suppliers and partners about their commitment to support NEVS production ramp up and possible capacity increases. Further investments are made to add production sites and capacity to protect and increase marketshares when demand and the market rapidly increases in China.

Obviously there is also a risk of being too early to market, before infrastructure, customer acceptance or other necessary prerequisites are in place. NEVS next generation solution for mobility solution exists with this risk. The risk is assessed lower and lower as the entire automotive industry last year announced they put their R&D resources working in this direction.

Access to key components

The group expects that the manufacturing capacity in the market regarding certain key components, primarily batteries, will not be sufficient to meet the global demand. The group has entered into an agreement with CATL concerning price and volume, which meets the specified needs in the adopted business plan. Bottlenecks like particular raw materials is expected to occur and be resolved with new technical solutions.

Product liability, down time

The group has comprehensive insurance cover against liability, down time, delays in the manufacturing start-up, property damage, environmental liability, trips, etc.

In terms of obligations toward customers regarding product liability and guarantees, the company has a policy of having an equivalent obligation from its suppliers.

Demand

It is difficult to make reliable forecasts, as the EV market is still in an early stage. This means that there is a risk of forecasts not being correct. However, the group has by selecting China as first focus, concentrated its investment in the market where electric vehicle holds the lowest risk.

Competitive situation

The automotive industry is dominated by players with substantially greater financial and industrial resources than NEVS. For this reason, the company closely monitors the development of new technology, models and

trends, and it is organizationally prepared and flexible to react promptly in cooperation with its industrial partners.

Political risks

There is always a risk that laws and policies will be amended and that this could affect grants, authorizations and other factors affecting the group. Via its organization and owners, the company is aware of these issues and maintains a close dialog with the authorities, primarily in China.

Going Concern

The annual report has been prepared with the assumption of going concern. The implementation of the company's business plan will increase operating costs, the need for working capital and investments in product development and inventory. These are within existing funds and within existing agreements with the new shareholders, both in the parent company and in the subsidiaries, regarding continued additional funding.

The Boards proposed appropriation of profits (SEK)

The following is at the disposal of the Annual General Meeting:

Retained earnings	2 225 407 603 SEK
Net result for the year	- 793 138 868 SEK
Total	1 432 268 735 SEK

Are allocated so that the following amount is carried forward:	1 432 268 735 SEK
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Consolidated statement of comprehensive income, group period 1 January till 31 December 2018

		Period: 1 January to 31 December, 2018	Period: 1 January to 31 December, 2017
	Note	SEK ('000)	SEK ('000)
Net sales	3	73 827	72 330
Cost of sales and services		-31 924	-38 077
Gross Margin		41 904	34 253
Other operating income	5	25 469	6 850
Research and development expenses	8	-152 333	-148 424
Administrative expenses	4	-649 379	-604 624
Other operating expenses	9	-137 455	-257 271
Operating result	6, 7	-871 794	-969 216
Financial income	10	2 256	99 660
Financial expenses	10	-345 057	-126 707
Result before taxation		-1 214 595	-996 262
Taxation	11	-	-
Result for the period		-1 214 595	-996 262
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign operations		61 911	-50 568
Total comprehensive result for the period		-1 152 684	-1 046 830
Result for the period attributable to:			
Owners of the parent		-1 134 501	-890 110
Non-controlling interest		-80 094	-106 152
Result for the period		-1 214 595	-996 262
Comprehensive result attributable to:			
Owners of the parent		-1 084 464	-935 038
Non-controlling interest		-68 220	-111 792
Comprehensive result for the period		-1 152 684	-1 046 830

Consolidated statement of financial position, group as per 31 December 2018

		2018-12-31	2017-12-31
Assets	Note	SEK ('000)	SEK ('000)
Land and buildings	12	1 827 165	1 246 810
Plant and machinery	12	1 252 480	712 041
Technology	13	262 740	274 605
Patents	13	-	-
Capitalized development expenditure	13	2 547 264	1 857 354
Property rights	13	852 463	217 419
Participations in associated companies	14	-	-
Shares in other companies	14	85 311	85 311
Other non-current assets		464	938
Non-current assets		6 827 888	4 394 477
Rawmaterial		18 231	21 507
Work in progress		11 606	10 194
Inventory		29 837	31 700
Trade receivables	15	21 939	10 607
Receivables from related companies	15, 20	58 408	185 058
Prepayments		101 555	126 579
Other receivables	15	289 271	102 639
Reserved cash		21 065	21 065
Cash and cash equivalents		1 187 915	95 106
Current assets		1 680 153	541 053
Total assets		8 537 878	4 967 231

		2018-12-31	2017-12-31
		SEK ('000)	SEK ('000)
Equity and liabilities			
Issued capital		366 300	366 300
Other contributed capital		4 828 354	4 828 354
Unappropriated net result including result for the period		-5 311 772	-4 125 371
Equity attributable to the owners of the parent		-117 118	1 069 283
Non-controlling interest		568 484	267 551
Total equity	16	451 366	1 336 834
Convertible loans	18	-	207 961
Interest-bearing liabilities	18	1 095 979	-
Non-current liabilities to related companies	18, 20	-	75 407
Other non-current liabilities	17	442 346	241 577
Non-current liabilities		1 538 325	524 945
Provisions		30	455
Interest-bearing liabilities	18	1 434 594	497 711
Trade payables	18	589 166	453 757
Payables to parent company	18, 20	457 521	-
Payables to related companies	18, 20	3 478 492	1 376 303
Other payables	18	588 385	777 225
Current liabilities		6 548 158	3 104 996
Total equity and liabilities		8 537 878	4 967 231

Consolidated statement of changes in equity, group period 1 January till 31 December 2018

	Attributable to the owners of the parent						Total equity
	Issued capital	Other contributed capital	Unappropriated net result	Translation reserve foreign companies	Total capital attributable to the owners	Non-controlling interest	
	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)
Amount as per 1 January, 2018	366 300	4 828 354	-4 115 640	-9 732	1 069 282	267 551	1 336 834
Result for the period 1 January to 31 December, 2018	0	0	-1 134 501	0	0	-80 094	-1 214 595
Other comprehensive result	0	0	0	50 037	0	11 874	61 911
Total comprehensive result	-	-	-1 134 501	50 037	-1 084 464	-68 220	-1 152 684
Contribution by minority in subsidiaries	0	0	0	0	0	1 248 560	1 248 560
Contribution by non-controlling parties	0	0	-110 438	8 500	0	-846 476	-948 414
Redemption of minority shares	0	0	0	0	0	-32 931	-32 931
	-	-	-110 438	8 500	-110 438	369 153	267 215
Amount as per 31 December, 2018	366 300	4 828 354	-5 360 579	48 805	-117 120	568 484	451 366

	Attributable to the owners of the parent						Total equity
	Issued capital	Other contributed capital	Unappropriated net result	Translation reserve foreign companies	Total capital attributable to the owners	Non-controlling interest	
	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)
Belopp per den 1 januari, 2017	366 300	4 828 354	-3 225 530	39 738	2 008 862	102 998	2 111 860
Result for the period 1 January to 31 December, 2017	0	0	-890 110	0	0	-106 152	-996 262
Other comprehensive result	0	0	0	-44 928	0	-5 640	-50 568
Total comprehensive result	-	-	-890 110	-44 928	-935 038	-111 792	-1 046 830
Contribution by minority in subsidiaries	0	0	0	0	0	271 803	271 803
Contribution by non-controlling parties	0	0	0	-4 542	0	4 542	0
	-	-	-	-4 542	-	276 345	271 803
Amount as per 31 December, 2017	366 300	4 828 354	-4 115 640	-9 732	1 069 282	267 551	1 336 834

Consolidated cash flow statement, group period 1 January till 31 December 2018 (indirect method)

	2018 SEK ('000)	2017 SEK ('000)
Cash flows from operating activities		
Result for the period	-1 214 595	-996 262
Adjustments for non cash items in the operating activities:		
Depreciation & write-down of assets	97 647	188 016
Amortization & write-down of intangible assets	32 874	16 952
Net financing income and expenses	342 801	27 047
Gain/loss on sale of equipment	23 732	5 925
Other	-27 789	79 259
Movements in working capital:		
Change in inventories	-4 537	-12 244
Change in current assets	-172 940	-24 249
Change in current liabilities	-53 431	892 172
Change in reserved cash	0	60
Cash generated from operations (excluding interest)	-976 239	176 676
Interest received	557	1 153
Interest paid	-92 437	-28 184
Other financial costs	-4 309	-1 272
Net cash from operating activities (including interest)	-1 072 428	148 373
Investing activities		
Proceeds from sale of plant and equipment	6 379	6 207
Acquisition of plant and equipment	-1 194 941	-1 180 062
Acquisition of technology, licenses and patents and capitalized development	-1 268 929	-923 162
Changes in other investments	474	2 549
Net cash used in investing activities	-2 457 017	-2 094 468
Financing activities		
Redemption of minority shares in subsidiaries	-981 345	-
Capital contribution from minority shareholders in subsidiaries	1 248 560	271 803
Amortization/Proceeds from borrowings from related parties	2 654 743	793 135
Amortization/Proceeds from external borrowings	1 513 282	678 800
Government grants	194 107	82 173
Net cash from financing activities	4 629 347	1 825 911
Net increase in cash and cash equivalents	1 099 902	-120 184
Cash and equivalents at 1 January	95 106	220 158
Net foreign exchange difference	-7 093	-4 868
Cash and equivalents at 31 December	1 187 915	95 106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

National Electric Vehicle Sweden AB (NEVS) was founded in April 2012. NEVS is a privately held limited company incorporated under Swedish law with register number 556889-7556. The registered office is located at Saabvägen 5, Trollhättan, Sweden.

The Consolidated Financial Statements comprise of NEVS, Automobile Property AB, Automobile Laboratory Sweden AB, Automotive Interior Parts Sweden AB, Automobile i Trollhättan nr 2 AB, Automobile i Trollhättan nr 3 AB, Automobile i Trollhättan nr 4 AB and National New Energy Vehicle Co. Ltd, National Vehicle Technology Development Co. Ltd, Tianjin Guo Rui New Energy Technology Co. Ltd., Xingyun Travel (TianJin) Technology co. Ltd, Tianjin Xinrui Leasing Ltd, Tinajin Guorui Vehicle Sales Ltd, Shanghai National New Energy Vehicle Ltd, together referred to as the Group.

The parent and the Group main activities consist of designing, engineering, manufacturing, marketing and distribution of vehicles under own brands. The parent company also provides technical services to other companies in the same area of business.

The owners of the parent company are as follows on December 31, 2018:

National Modern Energy Holdings Ltd 49 %

Mini Minor Ltd 51 %

The Board and the Managing director authorized the Consolidated Financial Statements on April 25, 2019.

2.1 BASIS OF PREPARATION

Accounting principles for the Group

The consolidated financial statements of the Group have been prepared in accordance with "International Financial Reporting Standards" (IFRS) as issued by the "International Accounting Standards Board" (IASB) as approved by the EU.

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, land and buildings classified as property, plant and equipment, derivative financial instruments and available-for-sale financial assets that have been measured at fair value. The carrying values of recognized assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortized cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The consolidated financial statements are presented in SEK, including comparative figures, and all values are rounded to the nearest thousands, except when otherwise indicated.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as per December 31, 2018. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as per the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent

consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Associated Company

An associated company is reported where the Group has significant but not determining influence in the company, which generally applies to shareholdings between 20% and 50% of the votes. Holdings in associated companies are reported in accordance with the equity method and initially valued at cost. The Group's reported value of holdings in associated companies includes goodwill (net after any accumulated write-downs) identified during the acquisition. The Group's share of the result that has incurred in the associated company after the acquisition is reported in the profit for the period. Accumulated changes after the acquisition are reported as a change in the carrying amount of the holding. When the Group's share in an associated company's losses amounts to or exceeds its holdings in the associated company, including any non-collateralised claims, the Group does not report additional losses unless the Group has incurred obligations or made payments on behalf of the associated company.

Participations in other companies

The Group reports the value of participations in other companies at accrued acquisition cost. The value is tested annually or when necessary for potential write-downs.

b) Foreign currencies

The Group's consolidated financial statements are presented in SEK, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date that the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Changes in fair value for securities in foreign currency, which have been classified as financial assets held for sale, are split between translation differences due to changes of the accrued acquisition value of the securities and other changes of the book value of the securities. Translation differences related to changes in accrued acquisition value are included in the result for the period and other changes of book value are included in other comprehensive income.

Translation differences for non-monetary financial assets and liabilities, like shares valued at fair value via the income statement, are included in the income statement as part of fair value (gains/losses). Translation differences for non-monetary financial assets like shares classified as financial assets held for sale are included in the reserve for assets held for sale in other comprehensive income.

c) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. In cases where contracts contain performance obligations, the transaction price is allocated to each performance obligation based on their stand-alone selling prices. Estimations regarding

revenues, costs or measured progress of completion of sales are revised if circumstances change. Increase or decrease of determined revenues or costs that depend on adjusted estimations are included in the income statement during the period that the circumstances which led to an adjustment of the estimations became known to management. The Group does not expect to have any contracts where the time between the delivery of goods or services and payment received exceeds one year. As a result, the Group does not adjust the transaction price for the effects from a significant financing component. The specific recognition criteria described below must also be met before revenue is recognized.

Sale of goods

Revenue from the sale of goods is recognized when the significant control and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rendering of services

Revenue from the services provided is reported in the period in which they are provided. All agreements are on current account basis and are based on price per hour, and the revenue is recognized to the extent that the group has the right to invoice the customer

Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

Dividends

Revenue is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Rental income

Rental income arising from operating leases on operating properties is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature.

d) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, except in cases when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available toward the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority, or different taxable entities where there is an intention to settle the amounts by net payments.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

e) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is

performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (Note 2.4).

No depreciation is accounted for on land. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings 25 to 40 years
- Plant and equipment 3 to 15 years

The Group applies component depreciation for property, plant and equipment. As a result tangible fixed assets containing several components whose periods of useful life differs from each other and the acquisition value is substantial in relation to the total cost of acquisition, is depreciated separately.

An asset's carrying amount is immediately depreciated to its recoverable amount if the carrying amount exceeds its estimated recoverable amount.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

f) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

At the date of closing all leases in the Group are operational leases.

g) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

h) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit and loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- There are prerequisites to use or sell the asset
- Its intention to complete and its ability to use or sell the assetHow the asset will generate future economic benefits
- The availability of adequate technical, financial and other resources to complete the asset and to use or sell the intangible asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when

development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Technology

The Group has acquired technology significant for the manufacturing and the future development of specific products. Amortization of the asset will begin when the manufacturing of the product starts. The asset is amortized over the period of the expected future benefit. The asset is tested for impairment annually.

Patents och licenses

The Group has acquired a number of patents. The main values in these patents are related to present or future products and will be amortized over the period of expected future benefits.

Land holding rights

As land can not be bought and owned in China, only be obtained by land holding rights for less than 50 years, expenses for the acquisition of land holding rights are reported as an intangible asset.

A summary of the policies applied to the Group's intangible assets is as follows:

	Land holding rights	Licenses	Technology	Patents	Capitalized development
Useful life	Finite	Finite	Finite	Finite	Finite
Amortization method	Straight line over the period of land holding rights	Straight line over the period of the license	Straight line over the period of expected future sales	Straight line over the period of the patent	Straight line over the period of expected future sales
Internally generated or acquired	Acquired	Acquired	Acquired	Acquired	Internally generated

i) Financial instruments – initial recognition and valuation

As of 1 January 2018, the Group classifies its financial assets in the following categories:

- Financial assets measured at fair value either through statement of other comprehensive income or via the income statement
- Financial assets measured at amortized cost

The classification of investments in debt instruments depends on the Group's business model for managing financial assets and the contractual terms for the assets' cash flows.

Purchases and sales of financial assets are reported on the trade date, which is the date when the Group commits to buy or sell the asset. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or the Group has transferred virtually all risks and benefits associated with ownership.

Financial assets are initially measured at fair value and, in cases where the asset is not recognized at fair value via the income statement, transaction costs directly attributable to the purchase. Transaction costs attributable to financial assets are recognized at fair value through profit or loss directly in the income statement.

For valuation, the Group classifies its financial assets into three valuation categories:

- Amortized cost: Assets held for the purpose of collecting contractual cash flows and where these cash flows consist solely of capital amounts and interest are measured at amortized cost. Interest income from such financial assets is recognized as financial income by using the effective interest method.
- Fair value through other comprehensive income: Assets held for the purpose of both collecting contractual cash flows or for sale, where the cash flows of the assets consist solely of capital amounts and interest, is measured at fair value through other comprehensive income. Changes in carrying amount are recorded in other comprehensive income, with the exception of interest income, exchange rate differences and write-downs, which are recognized in the income statement. When the financial asset is removed from the balance sheet the accumulated profit or loss, which was previously recognized in otherwise comprehensive income, is recycled from OCI to profit or loss.
- Fair value through profit or loss: Assets that do not meet the requirements for being measured at amortized cost or fair value through other comprehensive income are measured at fair value via the profit or loss.

Impairment of financial assets

As of 1 January 2018, the Group measures the future expected credit losses related to financial instruments measured at amortized cost based on forward-looking information. In accordance with IFRS 9, the Group applies a simplified method for the impairment test of trade receivables, which means that the provision for expected loan losses is calculated based on lifetime expected credit losses of the receivable. The expected credit loss levels are based on the customers' payment history and the historical credit loss experience. Historical losses are then adjusted to take into account current and forward-looking information on macroeconomic factors that may affect customers' ability to pay the receivable.

Financial liabilities

According to IFRS 9 financial liabilities are measured at either fair value or at amortized cost. The Group has no financial liabilities that are measured at fair value. Financial liabilities and loans are measured after the initial recognition at amortized cost via the effective interest method if the liability is interest-bearing.

A financial liability is derecognized from the balance sheet when the commitment is discharged.

Hedge accounting

The Group does not apply hedge accounting.

Transition to IFRS 9

Financial instruments are reported in accordance with IAS 39 in the comparative figures of 2017.

IAS 39 has different classification categories than IFRS 9. However, the classification categories according to IAS 39 include measurement at amortized cost or fair value in the income statement, except for shares and participations, which according to IAS 39 were classified as financial assets that can be sold and reported at fair value in other comprehensive income. The investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably calculated are measured at the acquisition cost.

IAS 39 has another method for loan loss provision, which means that a provision is made using the incurred loss model, in contrast to IFRS 9 where provision is made for expected loan losses.

Otherwise, there are no differences between the application of the standards for the Group.

The Group's financial liabilities consist of accounts payable and other liabilities and loans, which are included in the category other liabilities reported at amortized cost.

The Group's accounting principles for loans for the comparative year 2017

After initial recognition, interest bearing loans and borrowings are subsequently measured at accrued cost.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

Loan and trade receivables

Loan and trade receivables are financial assets that are not derivatives with fixed or determinable payments not listed on an active market. They are initially valued at real value and subsequently at accrued acquisition value using the effective interest method and after deduction of any impairment. Accrued acquisition value is calculated with consideration of discounts, fees and advances that are part of the effective interest.

Loan and trade receivables are tested continuously for any objective proof that the reported value will not be paid. If a loan receivable / trade receivable is assumed to be uncertain, a provision is made for the difference

between the carrying amount and the expected cash flow. Losses attributable to uncertain receivables are recognized in the income statement in other operating expenses or otherwise as a financial expense.

Interest income relating to loan receivables is included in the financial income.

Liquid funds and short-term investments

In liquid funds are included cash, bank balances and other short-term investments with due date within three months from the date of acquisition in the balance sheet as well in the cash flow statement.

For the Group's cash flow statement, liquid funds and short-term investments are included as above

j) Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: Purchase cost on a first in, first out basis
- Finished goods and work in progress: Cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognized in other comprehensive income, in respect of the purchases of raw materials. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

k) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the income statement in expense categories consistent with the function of the impaired asset, except for a property previously revalued when the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding financial assets and goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

l) Employee benefits

Employee benefits relate to all categories of remuneration the Group provides to employees. The Group's remuneration includes salaries, paid leave, paid absence, bonus and remuneration after termination of employment (pensions). Accounting is in the period of earning. Cost for employees after termination of employment refers to defined contribution pension plans. Plans classified as defined contribution plans are plans where the company pays determined fees and where there are either no legal or informal obligations to pay anything further in excess of these fees. Only defined contribution pension plans exists in the Group. Expenditure on defined contribution plans is reported as an expense during the period the employees perform the services underlying the obligation. Provisions for termination are made when employment is terminated prior to normal retirement or when an employee accept resignation from employment in exchange for such benefits. The Group reports severance pay when there is an obligation to terminate employees according to a formal plan without the possibility of revocation.

m) Provisions

Provisions are recognized when the Group has a legal or informal obligation following a previous event and where the probability of a future out flow of resources is more probable than the opposite, and where there is a possibility to make a reliable calculation of the amount. The provisions are measured at the present value of the expected amount required to settle the obligation. A discount rate before tax is used that reflects a current market assessment of the time value of money and the risks associated with the provision.

n) Government grants

In case of government grants are related to items reported as costs in the income statement the received government grants are reported as reduction of those costs in the period where the original costs are recognized. When government grants are related to assets reported as fixed assets the government grants are recorded as deferred income and released as a reduction of cost in the income statement over the period of useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE PARENT COMPANY

The accounting policies for the parent company are consistent with the accounting policies for the Group with the following addition.

Participations in group companies

The parent company reports the value of participations in group companies at acquisition value. The value is tested for impairment annually or when needed. Any write-downs are recognized in the income statement.

2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUPMTIONS

Judgments

Tax assets

As the parent company has historically had several consecutive years of tax deficits, because the taxable income for the period being reported concerns items of a one-off nature, and because the current business plan does not show a taxable profit for entities within the group against which the historic deficits can be offset in the years ahead, the company has decided not to recognize the existing tax deficit as a deferred tax asset.

Assumption of going concern

The financial statements are prepared assuming going concern.

2.6 NEWLY INTRODUCED ACCOUNTING PRINCIPLES

For the first time, the Group and the parent company apply the new and amended standards and interpretations for financial years beginning 1 January 2018 or later in this annual report. None of the new and amended standards and interpretations that will be applied as of 1 January 2018 have any material impact on the Group's or the parent company's financial statements. Impairment testing has been carried out.

No new or amended IFRS has been applied in advance.

IFRS 15 Revenue from contracts with customers

IFRS 15 Revenue from contracts with customers took effect for fiscal years beginning on 1 January 2018 or later, and are applied by the Group from this date.

IFRS 15 replaces all previously issued standards and interpretations that handle revenues with a combined model for revenue recognition. According to IFRS 15, an income should be recognized when a promised good or service has been transferred to the customer, which can happen over time or at one point in time. The proceeds consist of the amount that the company expects to receive as compensation for transferred goods or services.

The implementation of IFRS 15 has not entailed any change in the Group's revenue recognition. Additional disclosure requirements have nonetheless been added, see note 3. However, the Group's revenues are currently limited to sales of services to a limited extent.

IFRS 9 Financial instruments

IFRS 9 Financial instruments took effect for fiscal years beginning on 1 January 2018 or later, and are applied by the Group from this date. Comparative information has not been recalculated, but has been reported in accordance with IAS 39 Financial Instruments: Accounting and valuation.

IFRS 9 comprises accounting for financial assets and liabilities and has replaced IAS 39. Like IAS 39, financial assets are classified into different categories, some of which are valued at amortized cost and others at fair value. IFRS 9 has introduced categories other than those contained in IAS 39. The classification according to

IFRS 9 is based partly on the instruments' contractual cash flows, and partly on the company's business model and the nature of the instrument. There are three valuation categories for financial assets: amortized cost, fair value over other comprehensive income and fair value through profit or loss.

For financial liabilities, IFRS 9 generally complies with IAS 39. For liabilities recognized at fair value, however, the portion of the change in fair value that is attributable to its own credit risk is recognized in other comprehensive income instead of in profit, unless this causes inconsistency in the accounts.

IFRS 9 has also introduced a new model for impairment of financial assets. The new model is based on expected loan losses and is based on a three-step model based on changes in the credit quality of the financial assets. For financial assets without a significant financing component, eg. Accounts receivable, there are simplified methods where provision is made over the entire maturity of the receivable directly without considering when a deterioration in the credit rating occurs.

IFRS 9 also introduces changed criteria for hedge accounting, which generally makes it easier to apply hedge accounting and better reflect applied risk management strategies.

The Group has chosen to apply IFRS 9 forward as of the financial year beginning on 1 January 2018. The Group has not recalculated the comparative year 2017, which thus continues to be reported in accordance with IAS 39. The transition to IFRS 9 on 1 January 2018 has not resulted in any material impact on the Group's or the parent company's financial statements.

Classification and valuation

IFRS 9 states that debt instruments are valued after initial recognition at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The classification is based on the following two criteria: The Group's business model for managing the asset; and if the instruments are held for the purpose of collecting contractual cash flows and where these cash flows consist solely of capital amounts and interest.

Subsequent valuation of financial assets depends on the Group's business model for asset management and what kind of cash flows the asset gives rise to. The Group classifies its investments in debt instruments into three valuation categories:

- **Amortized cost:** Assets held for the purpose of collecting contractual cash flows and where these cash flows consist solely of capital amounts and interest, are reported at amortized cost. Interest income from such financial assets is reported as financial income by applying the effective interest method. Gains and losses arising from derecognition from the balance sheet are recognized directly in profit or loss within other gains and losses together with the exchange rate result. Impairment losses are reported on a separate line in the income statement.
- **Fair value through other comprehensive income:** Assets held for the purpose of collecting contractual cash flows and for sales, where the cash flows of the assets consist solely of capital amounts and interest, are valued at fair value through other comprehensive income. Changes in carrying amount are reported through other comprehensive income, with the exception of accounting for interest income, exchange rate differences and impairment losses which are reported in the income statement. When the financial asset is removed from the balance sheet, the accumulated profit or loss, which was previously recognized in other comprehensive income, is transferred from equity to the income statement. Interest income from these financial assets is reported as financial income by applying the

effective interest method. Foreign exchange gains and losses are included in other gains and losses. Impairment costs are reported on a separate line in the income statement.

- Fair value through the income statement: Assets that do not meet the requirements for being recognized at amortized cost or fair value through other comprehensive income are measured at fair value through the income statement. A gain or loss for a debt instrument that is reported at fair value through the income statement and which is not included in a hedging relationship is reported net in the income statement in the period in which the gain or loss arises.

Changes in the fair value of financial assets recognized at fair value through profit or loss are reported as other gains / losses in the income statement.

Classification and valuation in accordance with IFRS 9 has not had any significant impact on the Group.

Impairment

As of 1 January 2018, the Group values the future expected loan losses related to investments in debt instruments reported at amortized cost based on forward-looking information. The Group chooses a reservation method based on whether there has been a significant increase in credit risk or not.

In accordance with the rules in IFRS 9, the Group applies a simplified method for impairment testing of accounts receivable. The simplification means that the reserve for expected loan losses is calculated based on the loss risk for the entire maturity of the receivable and is recognized when the receivable is recognized for the first time. For more information, see Note 15.

Classification and valuation in accordance with IFRS 9 has not had any significant impact on the Group.

Annual Improvements 2014-2016

IAS 28 Investments in associates and joint ventures (amendment)

Amendments to IAS 28 clarify that the exemption from applying the equity method and instead valuation at fair value is applied per investment. Due to the change, applied principles have been retroactively adapted from 1 January 2018. This has not resulted in any accounting effects for the Group.

IFRIC 22 Foreign currency transactions and advance consideration

The interpretation statement clarifies that the exchange rate at the time of the transaction for the received / paid advance in foreign currency should be applied when reporting related assets, costs and revenues. Due to the statement, applied principles have been adapted retroactively / forward-looking from 1 January 2018. This has not resulted in any accounting effects for the Group.

2.7 NEW ACCOUNTING PRINCIPLES FOR THE GROUP THAT WILL BE APPLIED ON OR AFTER 1 JANUARY 2019

A number of new and amended IFRS have not yet come into effect and have not been applied in advance when preparing the financial reports for the Group and the parent company. The IFRS that may affect the Group's or the parent company's financial statements are described below. None of the other new standards, amended standards or IFRIC interpretations published on December 31, 2018 are expected to have a significant impact on the Group's or the parent company's financial statements.

This section presents new and amended IFRSs that have not yet come into effect. The new and amended IFRS described in this section that will be applied in early 2018 are marked with a star *. If this is conditional on an EU endorsement, this is marked with a bracket around the star (*).

IFRS 16 Leases

As of January 1, 2019, IFRS 16 Leases replaces the current standard IAS 17 Leases and related interpretations IFRIC 4, SIC 15 and SIC 27.

IFRS 16 will primarily affect the accounting of the lessee and will result in virtually all lease agreements being recognized in the balance sheet. According to the new standard, lessees must report the obligation to pay the lease payments as a lease liability in the balance sheet. The right to utilize the underlying asset during the lease term is reported as a right to use asset. Depreciation of the asset is recognized in profit or loss as well as the interest cost for the lease liability. Lease payments are reported partly as interest payment and partly as amortization. The standard excludes lease contracts with a duration of less than 12 months (short-term lease agreements) and lease contracts for assets that have a low value. The standard also allows for a relief regarding the separation of non-leasing components from leasing components. For lessors, the new standard is unchanged in all significant aspects.

In 2018, the Group analyzed the effects of IFRS 16. At the transition to IFRS 16 the Group's total assets will increase. Lease payments that have been reported under IAS 17 as an expense within operating profits are replaced by depreciation of the lease assets, which are reported as a cost in the operating profits and interest on the lease liability, which is reported as a financial expense. In the cash flow statement, the lease payments are reported as amortization and interest payment.

The Group is applying IFRS 16 as of January 1, 2019 using the simplified transition method. Leases with a residual lease term of less than 12 months at the time of transition to IFRS 16 are classified as short-term lease contracts in accordance with the relief and are not included in the opening balance for lease liabilities and right to use asset.

The calculations made in 2018 show rather small effects of IFRS 16. For example, the effect on the asset and liability side would only be about SEK 40 million.

In the Parent Company's accounts, the exception in RFR 2 regarding lease contracts will be applied. This means that the parent company's principles for reporting lease contracts will remain unchanged.

IFRS 9 Financial Instruments (amendment)*

The amendment to IFRS 9 clarifies that the existence of early redemption does not mean that a financial asset does not meet the criteria for being measured at amortized cost.

Due to the changes, applied principles will be adapted retrospectively as of January 1, 2019. This is not expected to have any significant effects for the Group.

IAS 28 Investments in associates and joint ventures (amendment) (*)

Amendments to IAS 28 clarify that IFRS 9 should be applied to investments in associated companies and joint ventures for which the equity method is not applied but has the substance of a net investment in an associate or joint venture. Due to the change, applied principles will be adjusted retrospectively from January 1, 2019. The Group reports investments in associated companies and joint ventures in accordance with the equity method and this will thus not have any impact on the Group.

IFRIC 23 Uncertainty over income tax treatments*

The interpretation explains how deferred and current tax assets and liabilities should be reported and measured when there is uncertainty in the treatment of income taxes. The interpretation clarifies that when assessing the reported amount, the company must assume that the item will be subject to a review by the tax authority, which in turn is assumed to have access to all relevant information. If there is uncertainty, the method that best estimates the outcome should be used, either the most likely amount or the expected value. The Group applies the interpretation statement from January 1, 2019 and this is not expected to have any significant effects for the Group.

Changes in IFRS 10 and IAS 28: Sale or transfer of assets between an investor and its associated company or joint venture

The amendments clarify that the profit or loss from the sale or transfer of assets constituting a business, as defined in IFRS 3, between an investor and its associate or joint venture, is reported in full. However, any profit or loss arising from the sale or transfer of assets that do not constitute a business is reported only in relation to the ownership of other external investors in the associate or joint venture.

The IASB has postponed the effective date of these changes, but an early-adoption company must apply them in the future. The Group will apply these amendments when they come into effect.

Annual improvements 2015-2017 (*)

Annual improvements 2015-2017 should be applied for financial years starting on or after January 1, 2019, early application is permitted.

IFRS 3 Business combinations

Amendment to IFRS 3 which clarifies that a company should remeasure a previously held interest in a joint venture when the company obtains control over the business. The change will not result in any significant effects for the Group.

IFRS 11 Joint arrangements

Amendment to IFRS 11 which clarifies that a company should not remeasure a previous holding in a business when it obtains joint control over the business. The change will not result in any significant effects for the Group.

IAS 12 Income taxes

Amendment to IAS 12 clarifies that a company must recognize tax on dividends in profit or loss, other comprehensive income or equity, according to where the entity originally recognized the transactions. As the Group's current accounting principles are consistent with these changes, the Group does not expect any effect on the consolidated financial statements.

IAS 23 Borrowing costs

Amendment to IAS 23 which clarifies that a company treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The change will not entail any significant effects for the Group.

3. NET SALES

SEK ('000)	2018			2017		
	Goods	Services	Total	Goods	Services	Total
Sweden	1 629	62 515	64 143	5 759	37 128	42 887
China	-	-	-	160	16 054	16 214
Germany	-	9 632	9 632	-	-	-
Turkey	-	-	-	-	11 282	11 282
Other markets	50	2	52	50	1 897	1 947
	1 678	72 149	73 827	5 969	66 361	72 330

Net Sales services mainly consists of services regarding technical development on current account. Delivery of technical results is made continuously. The sale is B2B and by using the groups own sales channel.

There are no sales from the Group to related companies.

4. REMUNERATION TO AUDITORS, EY

SEK ('000)	2018	2017
Fee for audit	2 361	2 695
Other services	197	70

5. OTHER OPERATING INCOME

SEK ('000)	2018	2017
Proceeds from sale of plant and equipment	2 050	2 076
Operational exchange gains	21 968	-
State subsidies	1 311	1 708
Other	140	3 066
	25 469	6 850

6. DEPRECIATION OF TANGIBLE AND INTANGIBLE ASSETS

SEK ('000)	2018	2017
Depreciation of tangible assets included in:		
- Research and development costs	2 935	11 636
- Administration costs	86 462	100 794
- Other operating costs	3 578	27 112
	92 975	139 541
Depreciation of intangible assets included in:		
- Administration costs	21 010	5 088
- Other operating costs	11 864	11 864
	32 874	16 952

7. EMPLOYEE BENEFITS EXPENSE

SEK ('000)	2018	2017
Included in costs of sales		
- Wages and salaries	148 454	23 963
- Social security costs	46 403	7 640
- Pension costs	21 900	3 126
Included in research and development expenses		
- Wages and salaries	121 772	76 955
- Social security costs	37 471	28 414
- Pension costs	12 761	8 139
Included in administration expenses		
- Wages and salaries	188 035	125 108
- Social security costs	52 459	41 758
- Pension costs	12 615	12 081
Included in capitalized development expenditure		
- Wages and salaries	-	184 368
- Social security costs	-	58 784
- Pension costs	-	24 048
Included in other operating expenses		
- Wages and salaries	49 791	42 650
- Social security costs	15 418	13 463
- Pension costs	7 003	5 377
Total		
- Wages and salaries	508 052	453 044
- Social security costs	151 750	150 059
- Pension costs	54 279	52 770
Total employee benefits expense	714 081	655 873

SEK ('000)	2018	2017
Costs for board and managing directors		
- Wages and salaries	4 508	6 403
- Social security costs	1 417	2 012
- Pension costs	1 981	2 894
- Other board fees	300	300
Total costs for board and managing directors	8 206	11 609

Costs for other employees		
- Wages and salaries	503 543	446 641
- Social security costs	150 334	148 047
- Pension costs	52 298	49 876
Total costs for other employees	706 175	644 564

Average number of employees

	2018			2017		
	Men	Women	Total	Men	Women	Total
Sweden	556	144	700	596	152	748
China	643	236	879	159	55	214
	1 199	380	1 579	755	207	962

Management and board

	2018	2017
Men		
- Senior management	9	9
- Board of directors	7	5
Women		
- Senior management	1	-
- Board of directors	-	1

Remuneration

The board chairman has not received any remuneration. Other disbursed board fees amount to SEK 300,000 (300,000).

Cost for Managing Director	2018	2017
	SEK ('000)	SEK ('000)
Total cost	7 906	6 760
- Whereof social security costs	3 397	2 931
- - Whereof pension costs	1 981	1 728

Cost for working Vice Chairman	SEK ('000)	SEK ('000)
	SEK ('000)	SEK ('000)
Total cost	-	4 549
- Whereof social security costs	-	1 975
- - Whereof pension costs	-	1 167

Managing director for NEVS AB is entitled to twelve months' remuneration at the termination of the contract. During 2017, the vice chairman of the board was also the Group Executive Officer and became in August 2017 also managing director for NEVS AB. From August 2017, when the vice chairman also was appointed managing director, his remuneration is reported as cost for managing director.

There are no other separate agreements concerning severance pay between the company and anyone in the company management or any member of the board. All agreements can be terminated without any extraordinary disbursement pursuant to collective agreement in effect for the enterprise.

Warrant program

34 managerial employees and other key staff among the employees were given the option of subscribing to warrants in NEVS during 2016. The price of these warrants was specified as a calculated market value and the warrants were paid for in cash. The increase or decrease in the value of the warrants is determined by the development of the company's value. The warrants are redeemable in 2019. See also Note 16.

8. RESEARCH AND DEVELOPMENT EXPENSES

SEK ('000)	2018	2017
Capitalized expenditure	612 168	811 540
Expensed research and development expenses	152 333	148 424
	764 502	959 964

9. OTHER OPERATING EXPENSES

SEK ('000)	2018	2017
Manufacturing capacity costs	90 061	104 132
Scrapping of tangible fixed assets	21 744	-
Loss on disposal of tangible fixed assets	-	42 477
Write-down of tangible fixed assets	4 673	48 475
Operational exchange losses	83	50 528
Other	20 894	11 659
	137 455	257 271

As the manufacturing facilities are partly under construction or conversion and partly unused pending manufacturing start-up, costs relating to these are accounted for under other expenses for the period. The impairment of assets is also related to the conversion of production.

10. FINANCIAL INCOME AND EXPENSES

SEK ('000)	2018	2017
Financial income		
Other interest income	557	1 153
Interest income from related parties	-	11 688
Exchange gains	1 699	86 820
	2 256	99 660
Financial expenses		
Other interest expenses	127 997	28 483
Interest expenses to related parties	132 106	95 614
Exchange losses	80 645	1 339
Other financial expenses	4 309	1 272
	345 057	126 707

11. INCOME TAX

SEK ('000)	2018	2017
Accounting loss before income tax	-1 214 596	-996 262
At Sweden statutory income tax of 22%	267 211	219 177
Adjusted for non taxable items	21	22
Adjusted for non deductible items	-47 545	-24 968
Unrecognized tax losses	-219 687	-194 231
Effective income tax	-	-
Income reported in the income statement	-1 214 596	-996 262

The group's tax deficits not recognized in the balance sheet

SEK ('000)	2018	2017
Taxable deficit		
At the beginning of the year	2 152 422	1 442 712
Taxable profit for the year	959 925	730 038
Adjustment of tax previous year	-	-16 590
Translation difference for deficit in foreign currency	7 469	-3 738
At the end of the year	3 119 816	2 152 422

SEK ('000)	2018	2017
Sweden	2 515 572	1 859 339
China	604 244	293 083
Taxable deficit	3 119 816	2 152 422

As the parent company has historically had several consecutive years with tax deficits and because the current business plan does not show taxable gains for entities within the group against which the historic deficits can be offset in the years ahead, the company has decided not to recognize the existing deficit as a deferred tax asset. In the future, when a taxable profit occurs, it will be possible to reduce the income tax by utilizing the unrecognized tax losses by the amount presented above. According to Swedish law, tax losses are not limited in time. According to Chinese law, tax losses can be deducted from profits over the ensuing five years.

12. TANGIBLE ASSETS

SEK ('000)	Freehold land and buildings	Plant and machinery	Total
Cost			
At 1 January 2017	731 137	798 402	1 529 539
Additions	786 690	393 372	1 180 062
Disposals	-	-69 052	-69 052
Reclassification	172	-172	0
Exchange differences	-2 953	-18 385	-21 338
At 31 December 2017	1 515 046	1 104 165	2 619 211
Additions	596 358	598 584	1 194 941
Disposals	-	-48 142	-48 142
Exchange differences	25 539	25 082	50 621
At 31 December 2018	2 136 943	1 679 687	3 816 630
Depreciation and impairment			
At 1 January 2017	-223 439	-293 347	-516 786
Depreciation charge for the year	-44 797	-94 744	-139 541
Impairment for the year	-	-48 475	-48 475
Disposals	-	44 308	44 308
Exchange differences	-	134	134
At 31 December 2017	-268 236	-392 124	-660 360
Depreciation charge for the year	-41 540	-51 434	-92 974
Impairment for the year	-	-4 673	-4 673
Disposals	-	21 053	21 053
Exchange differences	-	-28	-28
At 31 December 2018	-309 776	-427 207	-736 983
Net book value			
At 31 December 2018	1 827 167	1 252 481	3 079 647
At 31 December 2017	1 246 810	712 041	1 958 851
Including Leased assets			
At 31 December 2018	-	314 496	314 496
At 31 December 2017	-	250 540	250 540

13. INTANGIBLE ASSETS

SEK ('000)	Development costs	Technology	Trademarks, patents and licences	Land holding rights	Other intangible assets	Total
Cost						
At 1 January 2017	1 256 475	340 000	260 000	103 828	-	1 960 303
Additions	811 540	-	-	108 644	2 978	923 162
Reclassification	-11 973	-	-	-	11 973	0
Disposals	-	-	-50 000	-	-	-50 000
Exchange differences	-64 247	-	-	-4 132	35	-68 344
At 31 December 2017	1 991 795	340 000	210 000	208 340	14 986	2 765 121
Additions	612 169	-	-	508 017	148 744	1 268 929
Disposals	-	-	-	-	-3 022	-3 022
Exchange differences	77 742	-	-	2 994	-650	80 086
At 31 December 2018	2 681 706	340 000	210 000	719 351	160 059	4 111 115
Amortisation and impairment						
At 1 January 2017	-147 807	-53 531	-258 667	-2 072	0	-462 077
Amortisation	-	-11 864	-1 333	-2 568	-1 187	-16 952
Disposals	12 612	-	50 000	-	-	62 612
Reclassification	159	-	-	-	-159	0
Exchange differences	595	-	-	82	-3	674
At 31 December 2017	-134 441	-65 395	-210 000	-4 558	-1 349	-415 743
Amortisation	-	-11 864	-	-16 719	-4 290	-32 874
Exchange differences	-	-	-	-20	-12	-32
Per den 31 december 2018	-134 441	-77 259	-210 000	-21 297	-5 651	-448 648
Net book value						
At 31 December 2018	2 547 265	262 741	0	698 053	154 408	3 662 467
At 31 December 2017	1 857 354	274 605	0	203 782	13 637	2 349 378

The group is investing in the development of NEVS' first electric vehicle named NEVS 9-3 EV. The development of this product constitutes the single largest intangible asset and stands for most of the year's capitalization. Depreciation of this asset has not yet commenced as the asset is still not completed. The depreciation period will be determined for an estimated manufacturing period when the asset is completed.

14. PARTICIPATIONS IN ASSOCIATED COMPANIES AND OTHER COMPANIES

Participations in associated companies

Accumulated equity	2018 SEK ('000)	2017 SEK ('000)
Value at the beginning of the year	-	415 876
Acquisition of participations in associated companies	-	-
Adjustment of ownership	-	-330 565
Reclassification	-	-85 311
Share of associated companies' income	-	-
Value at the end of the year	0	0

During 2017 NEVS has agreed with the other shareholders not to complete the acquisition of the shares in Fujian New LongMa Motor Co. Ltd. The deal means that shares corresponding to the remaining payment for the acquisition are transferred to the previous owners. In total 35% of the shares in the company have been returned. As the remaining shares constitutes 15% of the capital the holding has been reclassified as participation in other companies.

Participations in other companies

Name	Registered office	Equity interest
Fujian New LongMa Motor Co. Ltd	Longyan, Kina	15%

Accumulated equity	2018 SEK ('000)	2017 SEK ('000)
Value at the beginning of the year	85 311	-
Reclassification	-	85 311
Value at the end of the year	85 311	85 311

The shareholding has been reclassified 2017 from participations in associated companies.

Shares in group companies

National Vehicle Technology Development Co. Ltd, Summary of results and statement of financial position

National Vehicle Technology Development Co. is a significant subsidiary with a significant minority share, hence the company's income statement and balance sheet are presented in summary below:

National Vehicle Technology Development Co. Ltd Summary of results and statement of financial position

	Period: 1 January to 31 December, 2018	Period: 1 January to 31 December, 2017
	SEK ('000)	SEK ('000)
Net sales	8 553	12 801
Cost of sales	-2 806	-12 229
Administrative expenses	-33 745	-70 537
Financial income and expenses	-43 943	-26 124
Taxation	-	-
Result for the period	-71 941	-96 088
Translation difference	801	-230
Total comprehensive result for the period	-71 140	-96 318
	2018-12-31	2017-12-31
	SEK ('000)	SEK ('000)
Current assets	883 098	324 351
Non-current assets	3 426 177	4 094 702
Current liabilities	-1 441 600	-2 742 745
Non-current liabilities	-27 562	-26 663
Equity	2 840 114	1 649 645

15. FINANCIAL ASSETS

Financial assets

Comments on risks for financial assets in note 24.

Loans

2018

SEK ('000)	Current loans to related companies	Other current loans
Value at the beginning of the year	185 058	-
Lending during the year	-	8 233
Amortization during the year	-142 790	-
Accrued interest	10 033	-
Exchange differences	6 107	-
Value at the end of the year	58 408	8 233

2017

SEK ('000)	Current loans to related companies	
Value at the beginning of the year	48 988	-
Lending during the year	126 420	-
Other receivable	-	-
Amortization during the year	-	-
Accrued interest	11 715	-
Exchange differences	-2 065	-
Value at the end of the year	185 058	0

Financial assets, group

	Interest rate	Due date	2018	2017
Current loans to related companies				
Beijing GouYan Hutong Cci Capital Ltd - 37 MCNY		On call	48 375	46 923
State Holdings Group - Accrued interest	12%	On call	10 033	138 135
			<u>58 408</u>	<u>185 058</u>
Other current loans				
Tianjin Binhai Ao Tai waterproof material Co., Ltd	0%	On call	4 966	-
Shandong Lu Yang Energy Conservation Co.,Ltd.	0%	On call	3 267	-
			<u>8 233</u>	<u>-</u>

Trade receivables

SEK ('000)	2018	2017
Not due	19 252	10 178
Overdue 1-30 days	1 865	264
Overdue 31-60 days	703	126
Overdue 61-90 days	90	6
Overdue 91-120 days	3	9
Overdue > 120 days	9 099	9 098
Impaired	-9 073	-9 073
	<u>21 939</u>	<u>10 607</u>

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days. The group has a receivable on a company in bankruptcy which has been written down in its entirety, pending notification of dividend. IFRS 9 has introduced a new model for impairment of financial assets. For financial assets without significant financing component, eg. Trade receivables, there are simplified methods where provision is made over the entire maturity of the receivable directly without considering when a deterioration in the creditworthiness occurs. The new principle has not resulted in any change in the company's accounts of trade receivables as of December 31, 2018. With the exception of the written-down claim, all trade receivables are, in all material respects, settled at the time of the signing of the annual report. The write-down of trade receivables has not been changed during the financial year

Other current receivables

Most of the other receivables do not accrue interest and normally fall due within up to 90 days.

Reserved cash

Reserved cash comprises bank deposits kept in separate bank accounts to serve as security for various types of undertakings.

Cash and cash equivalents

The amount comprises bank deposits which accrue variable interest. Holdings of foreign currency have been reassessed to fair value based on the exchange rate on the balance sheet date, and the difference is accounted for in the statement of comprehensive income. The change to bank deposits shown as cash and cash equivalents is accounted for in the cash flow statement.

16. EQUITY

Group equity is classified as follows.

Number of shares

	2018	2017
Number of shares at the beginning of the year	3 663 004	3 663 004
Increase in number of registered shares	-	-
Number of shares at the end of the year	3 663 004	3 663 004

All shares have the same voting right and the same right to dividend. The nominal value of each share is SEK 100. No dividend was paid during the year.

Warrants equivalent to 34,000 shares have been issued by the company (see Note 7 for further details). The subscription price was 28 SEK per warrant. Subscription must take place in the period 1st of October to 30th of November 2019. In the event of full use of the warrants, the newly issued shares will correspond to 0.9% of the total number of shares.

Other paid-up capital

The rest of the paid-up capital includes a premium fund and shareholders' contribution.

Profit/loss carried forward

The profit/loss carried forward shows the net profit/loss of previous years, the net profit/loss for the year and any shift of equity between the group and minority shareholders.

Translation reserve, foreign companies

The translation reserve shows the differences arising from translation of a company using another reporting currency than SEK due to exchange rate fluctuations over the year.

Non-controlling interests

The change in 2018 is an effect of restructuring in the Group. The change is mainly due to the fact that the ownership in National Vehicle Technology Development Ltd increased during the year from 50% to 80%.

17. GOVERNMENT SUBSIDIES

SEK ('000)	2018	2017
At the beginning of the year	241 577	166 441
Additions during the year	194 107	82 173
Released against comprehensive income	-1 491	-
Exchange differences	8 153	-7 037
At the end of the year	442 346	241 577
Whereof		
Government subsidies	434 423	241 577
Other	7 923	-

Subsidies received is linked to the group's investments in the new manufacturing facility in Tianjin. The amount will be released in proportion to future depreciation of buildings and land rights. The recipient company can become liable to repay if the project is not completed. The manufacturing facility is expected to be ready for start of serial production during 2019 and then the conditions for the support will be met.

18. FINANCIAL LIABILITIES

Comments on risks for financial liabilities in note 24.

Loans

2018

SEK ('000)	Convertible loans	Non-current loans from related companies	Other non-current loans	Current loans from parent company	Current loans from related companies	Other current loans
Value at the beginning of the year	207 961	75 407	0	0	1 376 303	497 711
Borrowing during the year	-	26 650	1 067 534	457 521	2 731 685	583 242
Amortization during the year	-	-	-	-	-693 870	-137 493
Reclassification	-237 193	-101 538	26 131	-	-133 692	446 292
Accrued interest	-	-	2 315	-	128 631	36 720
Exchange differences	29 232	-519	-	-	69 175	8 122
Value at the end of the year	0	0	1 095 979	457 521	3 478 232	1 434 594

2017

SEK ('000)	Convertible loans	Non-current loans from related companies	Other non-current loans	Current loans from parent company	Current loans from related companies	Other current loans
Value at the beginning of the year	-	-	-	-	511 184	347 197
Borrowing during the year	205 250	77 805	-	-	879 206	473 550
Amortization during the year	-	-	-	-	-37 456	-
Offsetting transaction	-	-	-	-	-	-333 295
Accrued interest	2 174	-	-	-	95 895	24 161
Exchange differences	537	-2 398	-	-	-72 526	-13 902
Value at the end of the year	207 961	75 407	0	0	1 376 303	497 711

	Interest rate	Due date	2018	2017
Convertible loans				
Perferent - 25 MUSD	8%	2020-10-20	-	207 961
			-	207 961
Non-current loans from related companies				
National Modern Energy Holdings Ltd	12%	2019-12-06	-	75 407
			-	75 407
Other non-current loans				
TianJin GaoXin Bohua Investment - 20 MCNY	6,538%	2020-01-13	26 941	-
Tianjin Bank	8,500%	2021-02-08	845 500	-
De Hai leasing (Tianjin) Co., Ltd	5,700%	2021-01-15	126 264	-
Shanghai Chuang Kai Financial Leasing Co., Ltd.	7,230%	2020-12-15	50 620	-
Shanghai Chuang Kai Financial Leasing Co., Ltd.	8,186%	2021-04-28	46 655	-
			1 095 979	-
Current loans from parent company				
Mini Minor Ltd - 51 MUSD	0%	2019-11-27	457 521	-
			457 521	-
Current loans from related companies				
National Modern Energy Holdings Ltd - 175,7 MUSD	12%	2019-02-15	1 781 262	658 523
National Modern Energy Holdings Ltd - 49 MUSD	0%	2019-11-27	439 579	-
State Holdings Group - 40,1 MCNY	12%	On call	81 390	97 386
Huaxinchaoyue Beijing Investment - 20 MCNY	8%	2018-12-31	-	25 857
State Holdings Group - 31,3 MCNY	8%	On call	76 653	495 929
State Holdings Group - 841,25 MCNY	8%	2019-12-31	1 099 348	-
			3 478 232	1 277 695
Other current loans				
Nordiska Kreditmarknadsaktiebolaget	1,95%	2018-12-31	-	30 000
TianJin GaoXin Bohua Investment - 28 MCNY	6,54%	2018-12-12	-	35 398
TianJin GaoXin Bohua Investment - 50 MCNY	6,54%	2019-06-26	69 503	63 210
TianJin GaoXin Bohua Investment - 52 MCNY	6,54%	2019-04-12	71 167	-
TianJin GaoXin Bohua Investment - 60 MCNY	8,00%	2019-08-10	80 883	-
Minsheng Bank	5,70%	1905-07-10	-	64 290
Tianjin Iconiq New Energy Vehicle Co, Ltd - 200 MCNY	8,00%	2019-03-31	261 360	267 870
Yizhong Jinshajiang Equity Investment Fund - 100 MCNY	8,00%	2019-01-11	151 152	135 550
Jiangsu Nantong no.2 construction Group Co.,Ltd	0,00%	On call	39 204	-
Shanghai Tushi Investment Management Co.,Ltd	0,00%	On call	13 068	-
Zhongrui Ted Fund Management Co.,Ltd	8,00%	On call	84 001	-
Wang, Yibin	0,00%	On call	17 511	-
Jiao, Xinguo	0,00%	On call	17 511	-
Tianjin Bank - 300 MCNY	8,00%	On call	392 040	-
Perferent - 25 MUSD	8,00%	2019-01-10	237 193	-
			1 434 594	596 318

Non-current and current loans from related companies

Non current loans

- a) National New Energy Vehicle Co Ltd received a loan from Tianjin Bank during 2018 with assets in the facility in Tianjin as security.
- b) National New Energy Vehicle Co Ltd has debts from leasing equipment for the factory in Tianjin.

Current loans from related companies

- a) National Modern Energy Holdings Ltd and State Holdings Group

The Group receives ongoing financing from the main owner through the owner company and through one of the subsidiaries of the owner company. All loans except the loan for 49 MUSD are interest-bearing and current according to the agreements. The loans are issued without security. The 49 MUSD loan is interest-free until due date, but after that 8% interest is charged.

- b) Mini Minor Ltd

The Parent company received at the end 2018 a loan from Mini Minor Ltd, the majority shareholder of National Electric Vehicle Sweden AB from the end of the year. The loan is interest-free until due date, but after that 8% interest is charged.

Other current loans

- a) Tianjin Gaoxin Bohua Investment

The Parent company received in 2018 another loan from Tianjin GaoXin Bohua Investment, share owner of National Electric Vehicle Sweden AB. until end of the year.

- b) Tianjin Iconiq New Energy Vehicle Co, Ltd

A short term loan with terms repayment at request, accrued interest payment at redemption. The loan is without security.

- c) Yizhong Jinshajiang Equity Investment Fund

A short term loan with terms repayment at request, accrued interest payment at redemption. The loan is without security.

- d) National Vehicle Technology Development Co Ltd in China has a short term loan at Tianjin Bank. The Loan is without security.

- e) The Loans from Preferent has been reclassified from Convertible loan to other current loans and they were paid back in the beginning of 2019.

f) There are a number of loans from private financiers without agreed due date, for which payment on call applies.

Trade payables

Terms of payment are normally between 30 and 90 days.

Other financial liabilities

SEK ('000)	2018	2017
Accrued expenses Tianjin plant	274 710	646 958
Accrued holiday allowance and salary debts	82 349	44 141
Other accrued expenses	23 407	36 305
Short-term liability for shares in group company	147 668	-
Other	15 189	12 047
	543 323	739 451

19. FINANCIAL INSTRUMENTS – NOT UPDATED 2018

Fair value

Financial assets are recognized in the categories loans and trade receivables, as well as cash and cash equivalents. All financial liabilities are in the category financial liabilities at accrued acquisition value.

The table below shows non-discounted values. For receivables due within one year the estimated fair value is equal to the book value. For receivables due in more than one year the fair value is calculated based on the market conditions on December 31, 2018.

SEK ('000)	2018		2017	
	Book value	Fair value	Book value	Fair value
<i>Financial assets valued at accrued acquisition value</i>				
Current loans to related companies	58 408	58 408	185 058	185 058
Other current loans	8 233	8 233	-	-
	66 641	66 641	185 058	185 058
<i>Financial liabilities valued at accrued acquisition value</i>				
Convertible loans	-	-	207 961	202 205
Non-current loans from related companies	-	-	75 407	74 541
Other non-current loans	1 095 979	1 096 032	-	-
Current loans from parent company	457 521	457 521	-	-
Current loans from related companies	3 478 232	3 478 232	1 376 303	1 376 303
Other current loans	1 434 594	1 434 594	497 711	497 711
	6 466 326	6 466 379	2 157 382	2 150 760

Expected payments including interest

Financial assets

2018	Nominal payments				Total
	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	
SEK ('000)					
Trade receivables	12 718	9 221	-	-	21 939
Current loans to related companies	-	58 408	-	-	58 408
Other receivables on related companies	-	8 233	-	-	8 233
Other receivables	29 888	14 783	-	-	44 672
	42 606	90 645	0	0	133 251

Financial liabilities

2018	Nominal payments				Total
	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	
SEK ('000)					
Other non-current loans	-	-	1 324 363	-	1 324 363
Trade payables	100 959	497 264	-	-	598 223
Current loans from parent company	-	457 521	-	-	457 521
Current loans from related companies	1 802 933	1 794 479	-	-	3 597 412
Other current loans	237 399	1 252 580	-	-	1 489 979
Other current liabilities	493 072	50 251	-	-	543 323
	2 634 362	4 052 096	1 324 363	-	8 010 821

20. RELATED PARTY DISCLOSURE

The consolidated financial statements include the following:

I de konsoliderade finansiella rapporterna ingår:

- National Electric Vehicle Sweden AB
- Automobile Property AB (100 %)
- Automobile Laboratory Sweden AB (100 %)
- Automotive Interior Parts Sweden AB (100 %)
- Automobile i Trollhättan nr 2 AB (100 %)
- Automobile i Trollhättan nr 3 AB (100 %)
- Automobile i Trollhättan nr 4 AB (100 %)
- National Vehicle Technology Development Co. Ltd (80 %)
- National New Energy Vehicle Co. Ltd (100 %)
- --- Tianjin Xingrui Leasing Ltd (100 %)
- --- Xingyun Travel (TianJin) Technology Co. Ltd (100 %)
- --- Tianjin Guorui Vehicle Sale Ltd (100 %)
- Tianjin Guorui New Energy Technology Co. Ltd (100 %)
- Shanghai National New Energy Vehicle Ltd (80 %)

Group shareholders

National Modern Energy Holdings Ltd 49 %
Mini Minor Ltd 51 %

Companies with controlling influence on the group

Mini Minor Ltd., registered in the British Virgin Islands, owns 51% of outstanding shares.

Companies with significant influence on the group

National Modern Energy Holdings Ltd., registered in the British Virgin Islands, owns 49% of outstanding shares.

Other related companies

Beijing GuoYan Hutong Cci Capital Ltd owns 10 % of the shares in National Vehicle Technology Development Co. Ltd.

Shanghai Songjiang Economic Technology Development Construction Group owns 20% of the shares in Shanghai National New Energy Vehicle Ltd.

Terms and conditions for transactions with related parties

Sales and purchases with related parties are done on terms equivalent to those that apply to arm's-length transactions. Besides interest-bearing liabilities and receivables, which are specified in Note 15, outstanding

amounts at the end of the year are without security, interest-free and are paid off in cash. No guarantees have been left or obtained for receivables or liabilities to related parties in addition to that specified in Note 15.

Remuneration to managerial employees within the group

Key persons within the group comprise members of the board and management. Transactions with these individuals constitute transactions with related parties. No remuneration of material significance to any member of this group has been paid besides normal remuneration for work performed. See also Note 7.

2018	Interest on loans to related parties	Interest on loans from related parties	Loans to related parties	Other receivables on related parties	Loans from parent company	Loans from related parties	Other payables to related parties
	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)		SEK ('000)	SEK ('000)
Transactions with companies with controlling influence							
Mini Minor Ltd	-	-	-	-	457 521	-	-
Transactions with companies with significant influence							
National Modern Energy Holdings Ltd	-	108 835	-	-	-	2 220 841	-
Transactions with other related parties							
Beijing GouYan Hutong Cci Capital Ltd	-	-	48 375	-	-	-	-
State Holdings Group	-	23 271	10 033	-	-	1 257 391	260
	0	132 106	58 408	0	457 521	3 478 232	260
2017							
	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)
Transactions with companies with significant influence							
National Modern Energy Holdings Ltd	-	73 424	-	125	-	647 842	86 087
Transactions with other related parties							
Beijing GouYan Hutong Cci Capital Ltd	-	-	46 798	-	-	-	-
State Holdings Group	11 688	20 542	126 420	11 715	-	572 725	20 591
TianJin GaoXin Bohua Investment	-	1 077	-	-	-	98 608	-
Huaxinchaoyue	-	571	-	-	-	25 285	572
	11 688	95 614	173 218	11 840	0	1 344 460	107 250

21. PLEDGES

SEK ('000)	2018	2017
Shares in Automobile Property AB	553 667	553 687
Mortgage in company	140 000	178 000
Reserved cash	21 064	21 064
Mortgaged assets for short-term loan	-	393 267
Mortgaged assets for long-term loans	1 092 060	-
	1 806 791	1 146 018

The parent company has pledged the shares held in Automobile Property AB in favour of Saab Automobile Bankruptcy Estates. The purpose of the pledge is to provide security for the Estates in relation to an indemnification clause in the purchase agreement between the Company and the Estates indemnifying the Estates should the Group's activities cause a third party to take legal action against the Estates. No such claims are known of.

Perferent Ltd holds corporate mortgage certificates in the amount of SEK 140 million as security for loans. The total loan amount exceeds the collateral.

The parent company has a blocked bank account in the amount of SEK 21 million as collateral for a bank guarantee with Enterprise Services Sverige AB as beneficiary, to serve as security for the payment of deliveries and services. The collateral provided exceeds the receivables that Enterprise Services Sverige AB has with the company.

Pledged assets for long-term loans relate to:

Land and buildings under construction in Tianjin, as security for a loan, KSEK 845,500

Production equipment in the Tianjin factory, acquired through financial leasing, KSEK 246,560.

22. CONTINGENT LIABILITIES

The Group does not have any ongoing disputes or other contingent liabilities.

23. LEASES

Operational leases – the Group as lessee

The Group has entered into leases for certain factory facilities, IT systems, etc. Depending on the type of asset, the contract is automatically renewed if it is not actively terminated. The cost of operating leases in 2018 amounts to KSEK 19,293.

Future leasing fees concerning non-cancellable operational leases as of December 31, 2018:

SEK ('000)	2018	2017
Within one year	25 445	64 780
After one year but no more than five years	32 481	17 498
More than five years	-	-
	57 926	82 278

Operational leases – the Group as lessor

The Group leases business premises and office premises on the NEVS area that is not used in its own operations. In most cases, the contract is automatically renewed if they are not actively terminated.

Future leasing fees to obtain for non-cancelable operating leases as of December 31, 2018:

SEK ('000)		
Within one year	7 338	7 549
After one year but no more than five years	2 854	2 876
More than five years	-	-
	10 192	10 425

24. RISK MANAGEMENT

Financing risk

In addition to the funds available in the group at the end of the year, the business plan of the group requires additional financing to be implemented. New owners came in end of year committed to the investment necessary. Based on resources made available a faster ramp-up can be worked into the business plan and the risk assessment for financing was reduced from high and likely to low and unlikely.

Control

The group has a financial plan to cover the next five years. To monitor developments affecting the short-term compared to the long-term plan, the group periodically conducts liquid-asset forecasts from up to a two-year perspective.

Internal Control

In January 2017, a person was appointed to handle the internal control process. Internal control applies to all activities within NEVS Group. It is about the efficiency and performance of the business, the reliability of reporting and processes as well as compliance with laws and regulations. It is also about values and deceptive behavior. Questions and actions are reported to the Audit Committee, external auditors and the Board if required. Internal control reduces the risk of misunderstanding and creates increased confidence, materiality for staff, investors and other stakeholders.

Liquidity

During the month of December, the company has received liquid funds from its owners. Cash and cash equivalents amounted to SEK 1,188 million in the Group as of December 31, 2018, which means that there are liquid funds for operation of the company for the next twelve months. In cases where investment decisions are made in accordance with the company's business plan, it will be linked to additional owner contributions. Further liquidity has been postponed after the turn of the year, see also "Significant events after the end of the financial year". Loans from the shareholders shall be converted into equity before due date.

Currencies

The group has companies in Sweden and China. In the future, a significant part of the group's activities and assets will be found in China. The group will endeavor to balance cash flows and assets/liabilities in a manner that limits the net exposure in the respective currencies.

Net impact on equity if the exchange rate is changed by 5%

	Equity	of which through profit or loss
	SEK ('000 000)	SEK ('000 000)
USD	135	135
CNY	56	-170

Interest

As all of the group's interest-bearing assets and liabilities as of December 31, 2018, are covered by contract-based interest rates, there is no risk in the existing interest rate. If it becomes more difficult for the group to finance its activities, there is a risk that the cost of future financing will increase.

Delays

Further delays to introduce 9-3EV is assessed as low. Resources are now made available for the company and Evergrand group is active communicating with suppliers and partners about their commitment to support NEVS production ramp up and possible capacity increases. Further investments are made to add production sites and capacity to protect and increase marketshares when demand and the market rapidly increases in China. Obviously there is as well a risk of being too early to market, before infrastructure, customer acceptance or other necessary prerequisites are in place. NEVS next generation solution for mobility solution exists with this risk. The risk is assessed lower and lower as the entire automotive Industry last year announced they put their R&D resources working in this direction.

Access to key components

The group expects that the manufacturing capacity in the market regarding certain key components, primarily batteries, will not be sufficient to meet the global demand. The group has entered into an agreement with CATL concerning price and volume, which meets the specified need in the adopted business plan. Bottlenecks like particular raw materials is expected to occur and be resolved with new technical solutions.

Product liability, down time

The group has comprehensive insurance cover against liability, down time, delays in the manufacturing start-up, property damage, environmental liability, trips, etc.

Insofar as obligations to customers in terms of product liability and warranties are concerned, the company has a policy of having an equivalent obligation from its suppliers.

Demand

It is difficult to make reliable forecasts, as the EV market is still in an early stage. This means that there is a risk of forecasts not being correct. However, the group has by selecting China as the first focus concentrated its investment in the market where for electric vehicle holds the lowest risk.

Competitive situation

The automotive industry is dominated by players with substantially greater financial and industrial resources than NEVS. For this reason, the company closely monitors the development of new technology, models and trends, and it is organizationally prepared and flexible to react promptly in cooperation with its industrial partners.

Political risks

There is always a risk that laws and policies will be amended and that this could affect grants, authorizations and other factors affecting the group. Via its organization and owners, the company is aware of these issues and maintains close dialog with the authorities, primarily in China.

25. RECENT EVENTS

- **Evergrande Health**

Evergrande Health Industry Group Ltd. Announced January 15, 2019 it's investment in NEVS AB. This was the end of a very intense work of buying out old owners and setting a new ownership structure with two owners of NEVS AB; National Modern Energy Holdings Ltd 49% and Evergrande Health Industry Group Ltd 51%. A New Board of Directors was appointed and resources were made available in order for NEVS to speed up the start of production in the Tianjin factory and to develop electric car models and establish more production capacity in China.

- **Koenigsegg cooperation**

The Board of NEVS AB Decides January 14, 2019 to enter into a cooperation with Koenigsegg. The purpose is to strengthen the technology base for electric vehicles and to produce vehicles together. Christian von Koenigsegg is appointed CEO of the JV owned to 65% by NEVS AB and to 35% by Koenigsegg Automotive AB. The JV Agreement was signed January 29, 2019.

Financing

As a result of the obtained production and sales licence for electric vehicles in China and a new financially strong owner making financial resources available for NEVS the history with tight financial situation is left behind.

With owners committed for growth, NEVS is well prepared to finalize validation of the 9-3EV car, start production and increase capacity rapidly in China. In Europe the journey for future mobility solutions is ready to take off.

PARENT COMPANY'S FINANCIAL REPORTS AND NOTES

In the notes to the parent company financial statements only information which differs from the corresponding group notes is shown. Therefore the parent company notes must be combined with the group notes to get all relevant information about the parent company.

Comments on the parent company income statement and balance sheet

Gross margin

Net sales was 45% lower than previous year as development work invoiced to Tianjin for 9-3EV is more or less finalized. Consequently cost of sales was lower by 44% and the margin in % of sales on the same level as 2017.

Other operating income

Other operating income during the year relates mainly to gains on operational exchange rate.

Research and development cost

The cost for Research and Development 2018 was 159 MSEK (169) which was 10 MSEK lower than 2017.

Administrative expenses

Administrative expenses were reduced to 409 MSEK (482). The reduction is mainly a reduction in IT cost for the parent company.

Other operating expenses

Other operating expenses is mainly related to losses at retired and disposed assets 22 MSEK and expenses related to the production facilities 96 MSEK (81) as they were not actively used to generate income but under conversion for future production.

Financial income and expenses

Financial income and expenses mainly contains of unrealized exchange-rate differences SEK -79 MSEK million (87) and accrued interest on loans from related companies SEK -120 MSEK (-82). Shares in Automotive Interior Parts Sweden AB and Automotive Laboratory AB were written down by SEK 292 million, to the companies net asset value.

Assets

The change in tangible assets consists of depreciation according to plan and disposal of some equipment to prepare for manufacturing of future products. The change in shares in group companies is mainly capital injection 1 022 MSEK. There is an increase in receivables of 333 MSEK on group companies, National Vehicle Technology Development, Tianjin, China for engineering services. Cash and cash equivalent at end of year is 32 MSEK (74).

Liabilities/financing

The increase of current liabilities by 2 221 MSEK relates primarily to an increase of interest bearing liabilities 429 MSEK and an increase of debts to related parties, 1 921 MSEK as owner loan from National Modern Energy Holding samt Mini Minor Ltd (from 15 January 2019 Evergrande Health).

Statement of comprehensive income, parent company period 1 January till 31 December 2018

		Period: 1 January to 31 December, 2018	Period: 1 January to 31 December, 2017
	Note	SEK ('000)	SEK ('000)
Net sales	3	477 863	873 651
Cost of sales		-322 545	-578 186
Gross Margin		155 318	295 465
Other operating income	5	22 202	45 853
Research and development expenses	8	-158 881	-168 585
Administrative expenses	4	-409 411	-481 909
Other operating expenses	9	-106 879	-245 081
Operating result	6, 7	-497 650	-554 257
Financial income	10	13 621	90 325
Financial expenses	10	-309 110	-383 198
Result before taxation		-793 139	-847 130
Taxation	11	-	-
Result for the period		-793 139	-847 130

Statement of financial position, parent company as per 31 December 2018

		2018-12-31	2017-12-31
Assets	Note	SEK ('000)	SEK ('000)
Plant and machinery	12	161 510	234 747
Technology	13	262 740	274 605
Investments in subsidiaries	14	3 146 177	2 206 336
Participations in other companies	14	160 672	160 672
Non-current receivables from group companies	15, 20	26 941	-
Other non-current assets		464	938
Non-current assets		3 758 505	2 877 297
Rawmaterials		13 686	21 325
Work in progress		11 606	10 193
Inventory		25 292	31 518
Trade receivables	15	10 955	9 740
Receivables from group companies	15, 20	1 432 910	1 099 767
Receivables from related parties	15, 20	48 375	46 798
Prepayments		19 101	27 508
Other receivables	15	23 769	13 307
Reserved cash		21 064	21 064
Cash and cash equivalents		32 333	74 253
Current assets		1 588 505	1 292 439
Total assets		5 372 302	4 201 254

NEVS

		2018-12-31	2017-12-31
		SEK ('000)	SEK ('000)
Equity and liabilities			
Issued capital		366 300	366 300
Total restricted equity		366 300	366 300
Share premium reserve		2 152 418	2 152 418
Distributable equity		72 990	920 120
Result for the period		-793 139	-847 130
Total unrestricted equity		1 432 269	2 225 408
Total equity	16	1 798 569	2 591 708
Provisions		30	455
Convertible loans	18	-	207 961
Non-current liabilities to related companies	18, 20	-	75 407
Other non-current liabilities	18	26 941	-
Non-current liabilities		26 941	283 368
Interest-bearing liabilities	18	458 746	30 000
Trade payables	18	34 887	86 417
Payables to group companies	18, 20	266 485	340 760
Payables to parent company	18, 20	457 521	-
Payables to related companies	18, 20	2 220 841	757 131
Other payables	18	108 281	111 415
Current liabilities		3 546 762	1 325 723
Total equity and liabilities		5 372 302	4 201 254

Statement of changes in equity, parent company period 1 January till 31 December 2018

	Issued capital	Premium fund	Shareholders contribution	Unappropriated net result	Total equity
	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)
Amount as per 1 January, 2018	366 300	2 152 417	2 675 937	-2 602 946	2 591 708
Result for the period 1 January to 31 December, 2018	-	-	-	-793 139	-793 139
	-	-	-	-793 139	-793 139
Amount as per 31 December, 2018	366 300	2 152 417	2 675 937	-3 396 085	1 798 569

	Issued capital	Premium fund	Shareholders contribution	Unappropriated net result	Total equity
	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)
Amount as per 1 January, 2017	366 300	2 152 417	2 675 937	-1 755 816	3 438 838
Result for the period 1 January to 31 December, 2017	-	-	-	-847 130	-847 130
	-	-	-	-847 130	-847 130
Amount as per 31 December, 2017	366 300	2 152 417	2 675 937	-2 602 946	2 591 708

Cash flow statement, parent company, period 1 January till 31 December 2017 (indirect method)

	2018	2017
	SEK ('000)	SEK ('000)
Cash flows from operating activities		
Result for the period	-793 139	-847 130
Adjustments for items that are not included in the operating activities:		
Depreciation & write-down of assets	50 632	122 772
Amortization & write-down of intangible assets	11 864	13 197
Write-down of inventories	6 400	-
Net financing income and expenses	213 247	-704
Gain/loss on sale of equipment	19 497	-2 343
Gain/loss on sale of shares in subsidiaries	82 242	292 169
Other	-	3 384
Movements in working capital:		
Change in inventories	-174	-12 062
Change in current assets	-213 302	-194 541
Change in current liabilities	-9 821	47 606
Change in reserved cash	-	60
Cash generated from operations	-632 554	-577 592
Interest received	356	90
Interest paid	-31 432	-2 161
Other financial costs	-2 932	-1 167
Realized exchange rate differences	-	-
Net cash from operating activities	-666 562	-580 830
Cash flow from Investing activities		
Proceeds from sale of plant and equipment	6 379	6 207
Acquisition of plant and equipment	-3 272	-10 533
Contributions to subsidiaries	-1 022 083	-
Changes in other investments	474	2 549
Net cash used in investing activities	-1 018 502	-1 777
Financing activities		
Loans to related parties	-141 311	-
Amortization of borrowings from related parties	-49 956	-
Proceeds from borrowings from related parties	1 730 496	318 947
Amortization of external borrowings	-33 000	-
Proceeds from external borrowings	144 311	235 250
Net cash from financing activities	1 650 540	554 197
Net decrease in cash and cash equivalents	-34 524	-28 410
Cash and equivalents at 1 January	74 253	107 250
Net foreign exchange difference	-7 396	-4 587
Cash and equivalents at 31 December	32 333	74 253

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE PARENT COMPANY

Accounting principles for the parent company

The Swedish Financial Reporting Board's Recommendation 2 – Accounting for Legal Entities and the Swedish Annual Accounts Act have been applied when preparing the parent company's annual accounts. In accordance with this recommendation, the parent company shall prepare its reports in accordance with the IASB's "International Financial reporting standards" (IFRS) and "interpretations" (IFRIC) adopted by the EU, to the extent that these are not contrary to the Swedish Annual Accounts Act. The accountancy principles have been applied consistently for all periods, unless otherwise stated. The parent's accounting policies do not differ from the Group's in such way that the reported values are affected.

Participations in group companies

The parent company reports the value of participations in group companies at accrued acquisition value. The value is tested for impairment annually or when needed. Any write-downs are recognized in the income statement.

3. NET SALES

SEK ('000)	2018			2017		
	Goods	Services	Total	Goods	Services	Total
Sweden	1 629	54 755	56 384	5 759	32 296	38 055
China	4 536	407 259	411 795	7 516	814 851	822 367
Germany	-	9 632	9 632	-	-	-
Turkey	-	-	-	-	11 282	11 282
Other markets	50	2	52	50	1 897	1 947
	6 214	471 648	477 863	13 325	860 326	873 651

Net Sales services mainly consists of services regarding technical development on current account. Delivery of technical results is made continuously. The sale is B2B and by using the groups own sales channel.

86% (94%) of the parent company's sales go to consolidated companies.

4. REMUNERATION TO AUDITORS, EY

SEK ('000)	2018	2017
Fee for audit	2 100	1 862
Other services	197	70

5. OTHER OPERATING INCOME

SEK ('000)	2018	2017
Proceeds from sale of plant and equipment to group companies	-	41 239
Proceeds from sale of plant and equipment to others	2 050	2 076
Operational exchange gains	20 110	-
Other	42	2 538
	22 202	45 853

6. DEPRECIATION OF TANGIBLE AND INTANGIBLE ASSETS

SEK ('000)	2018	2017
Depreciation of tangible assets included in:		
- Research and development costs	4 454	10 496
- Administration costs	39 773	36 968
- Other operating costs	3 382	26 834
	47 609	74 298
Depreciation of intangible assets included in:		
- Administration costs	-	1 333
- Other operating costs	11 864	11 864
	11 864	13 197

7. EMPLOYEE BENEFITS EXPENSE

SEK ('000)	2018	2017
Included in costs of sales		
- Wages and salaries	148 454	208 331
- Social security costs	46 403	66 424
- Pension costs	21 900	27 174
Included in research and development expense	-	-
- Wages and salaries	86 501	62 400
- Social security costs	27 038	19 896
- Pension costs	12 761	8 139
Included in administration expenses	-	-
- Wages and salaries	79 301	75 504
- Social security costs	24 787	22 028
- Pension costs	11 699	12 081
Included in other operating expenses	-	-
- Wages and salaries	43 959	37 732
- Social security costs	13 740	12 030
- Pension costs	6 485	4 922
Total	-	-
- Wages and salaries	358 215	383 968
- Social security costs	111 969	120 378
- Pension costs	52 845	52 315
Total employee benefits expense	523 028	0 556 661
Costs for board and managing directors	-	-
- Wages and salaries	4 508	6 403
- Social security costs	1 417	2 012
- Pension costs	1 981	2 894
- Other board fees	300	300
Total costs for board and managing directors	8 206	11 609
Costs for other employees		
- Wages and salaries	353 706	377 565
- Social security costs	110 552	118 367
- Pension costs	50 864	49 421
Total costs for other employees	515 123	545 352

Average number of employees

	2018			2017		
	Men	Women	Total	Men	Women	Total
Sweden	546	140	686	581	151	732
China	3	-	3	4	-	4
	549	140	689	585	151	736

Management and board

	2018	2017
Men		
- Senior management	9	9
- Board of directors	7	5
Women		
- Senior management	3	2
- Board of directors	-	1

8. RESEARCH AND DEVELOPMENT COSTS

SEK ('000)	2018	2017
Capitalized expenditure	-	-
Expensed research and development expenses	158 881	168 585
	158 881	168 585

9. OTHER OPERATING EXPENSES

SEK ('000)	2018	2017
Manufacturing capacity costs	81 480	95 864
Scrapping of tangible fixed assets	21 547	-
Loss on disposal of tangible fixed assets	-	40 973
Write-down of tangible fixed assets	3 023	48 475
Operational exchange losses	-	50 502
Other	828	9 267
	106 879	245 081

As the manufacturing facilities are partly under construction or conversion and partly unused pending manufacturing start-up, costs relating to these are accounted for under other expenses for the period. The impairment of assets is also related to the conversion of production.

10. FINANCIAL INCOME AND EXPENSES

SEK ('000)	2018	2017
Financial income		
Other interest income	356	90
Interest income from group companies	13 265	3 600
Exchange gains	-	86 635
	13 621	90 325
Financial expenses		
Write-down of shares in subsidiaries	82 242	292 169
Other interest expenses	25 365	4 335
Interest expenses to group companies	11 093	12 104
Interest expenses to related parties	108 835	73 424
Exchange losses	78 643	-
Other financial expenses	2 932	1 167
	309 110	383 198

11. INCOME TAX

SEK ('000)	2018	2017
Accounting profit/loss before income tax	-793 139	-847 130
At Swedens statutory income tax of 22%	174 491	186 369
Adjusted for non deductible items	-42 585	-80 632
Unrecognized tax losses	-131 906	-105 737
Effective income tax	-	-
Income reported in the income statement	-793 139	-847 130

As the parent company has historically had several consecutive years with tax deficits and because the current business plan does not show taxable gains for entities within the group against which the historic deficits can be offset in the years ahead, the company has decided not to recognize the existing deficit as a deferred tax asset. In the future, when a taxable profit occurs, it will be possible to reduce the income tax by utilizing the unrecognized tax losses by the amount presented above. According to Swedish law, tax losses are not limited in time.

12. TANGIBLE ASSETS

SEK ('000)	Plant and machinery
Cost	
At 1 January 2017	678 156
Additions	10 533
Disposals	-78 109
At 31 December 2017	610 579
Additions	3 247
Disposals	-46 894
At 31 December 2018	566 932
Depreciation and impairment	
At 1 January 2017	-277 004
Depreciation charge for the year	-74 297
Impairment for the year	-48 474
Disposals	23 942
At 31 December 2017	-375 832
Depreciation charge for the year	-47 609
Impairment for the year	-3 023
Disposals	21 042
At 31 December 2018	-405 422
Net book value	
At 31 December 2018	161 510
At 31 December 2017	234 747

13. INTANGIBLE ASSETS

SEK ('000)	Development costs	Technology	Trademarks, patents and licences	Total
Cost				
At 1 January 2017	0	340 000	260 000	600 000
Disposals	-	-	-50 000	-50 000
At 31 December 2017	0	340 000	210 000	550 000
Disposals	-	-	-	0
At 31 December 2018	0	340 000	210 000	550 000
Amortisation and impairment				
At 1 January 2017	0	-53 531	-258 667	-312 198
Amortisation	-	-11 864	-1 333	-13 198
Disposals	-	-	50 000	50 000
At 31 December 2017	0	-65 395	-210 000	-275 395
Amortisation	-	-11 864	-	-11 864
Disposals	-	-	-	0
At 31 December 2018	0	-77 260	-210 000	-287 260
Net book value				
At 31 December 2018	0	262 740	0	262 740
At 31 December 2017	0	274 605	0	274 605

14. SHARES IN GROUP COMPANIES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

Shares in group companies

Name	Registration No	Registered office	Equity interest	Booked value SEK ('000)
Automobile Property AB	556790-3314	Trollhättan	100%	600 000
Automobile Laboratory AB	556968-9671	Trollhättan	100%	112 283
Automotive Interior Parts Sweden AB	559038-6966	Trollhättan	100%	9 920
Automobile i Trollhättan nr 2 AB	559038-6990	Trollhättan	100%	50
Automobile i Trollhättan nr 3 AB		Trollhättan	100%	50
Automobile i Trollhättan nr 4 AB		Trollhättan	100%	50
National Vehicle Technology Development Co. Ltd		Tianjin, Kina	50%	1 515 191
—National New Energy Vehicle Co. Ltd		Tianjin, Kina	100%	-
—Xingyunchuxing		Tianjin, Kina	100%	-
—Tianjin XinRui Leasing Ltd		Tianjin, Kina	100%	-
—Tianjin GuoRui Vehicle Sales Ltd		Tianjin, Kina	100%	-
Tianjin Guo Rui New Energy Technology Co., Ltd.		Tianjin, Kina	100%	908 633
—National Vehicle Technology Development Co. Ltd		Tianjin, Kina	30%	-
—Shanghai National New Energy Vehicle Ltd.		Shanghai, Kina	80%	-
—Tianjin National Power Battery Technology Ltd.		Tianjin, Kina	100%	-
—Global New Energy Vehicle Service Co. Ltd.		Tianjin, Kina	100%	-
				3 146 177

	2018 SEK ('000)	2017 SEK ('000)
Value at the beginning of the year	2 206 336	2 085 705
Acquisition of shares in group companies	100	382 800
Shareholder contributions	1 021 984	30 000
Sale of shares in group companies	-	-
Impairment of value of shares in group companies	-82 243	-292 169
Value at the end of the year	3 146 177	2 206 336

Participations in associated companies

	2018 SEK ('000)	2017 SEK ('000)
Value at the beginning of the year	0	491 237
Acquisition of participations in associated companies	-	-
Adjustment of ownership	-	-330 565
Reclassification	-	-160 672
Value at the end of the year	0	0

Participations in other companies

Participations in other companies

Name	Registered office	Equity interest	Booked value SEK ('000)
Fujian New LongMa Motor Co. Ltd	Longyan, Kina	15%	160 672
			0

	Kapitalandel SEK ('000)	Bokfört värde SEK ('000)
Value at the beginning of the year	160 672	-
Reclassification	-	160 672
Value at the end of the year	160 672	160 672

15. FINANCIAL ASSETS**Loans****2018**

SEK ('000)	Non-current loans to group companies	Current loans to group companies	Current loans to related companies
Value at the beginning of the year	0	98 608	46 798
Lending during the year	26 650	151 310	-
Amortization during the year	-	-39 079	-
Accrued interest	810	13 705	-
Exchange differences	-519	-2 991	1 577
Value at the end of the year	26 941	221 553	48 375

2017

SEK ('000)	Non-current loans to group companies	Current loans to group companies	Current loans to related companies
Value at the beginning of the year	30 000	0	48 863
Lending during the year	-	98 608	-
Amortization during the year	-30 000	-	-
Exchange differences	-	-	-2 065
Value at the end of the year	0	98 608	46 798

Financial assets, parent

	Interest rate	Due date	2018	2017
<i>Non-current loans to group companies</i>				
National New Energy Vehicle Co. Ltd - 20 MCNY	6,538%	2020-01-13	26 941	-
			<u>26 941</u>	<u>-</u>
<i>Current loans to group companies</i>				
National New Energy Vehicle Co. Ltd - 28 MCNY	6,538%	2018-12-12	-	35 398
National New Energy Vehicle Co. Ltd - 50 MCNY	6,538%	2019-06-26	69 503	63 210
National New Energy Vehicle Co. Ltd - 52 MCNY	6,538%	2019-04-12	71 167	-
National New Energy Vehicle Co. Ltd - 60 MCNY	8%	2019-08-10	80 883	-
			<u>221 553</u>	<u>98 608</u>
<i>Current loans to related companies</i>				
Beijing GuoYan Hutong Cci Capital Ltd - 37 MCNY		On call	48 375	46 798
			<u>48 375</u>	<u>46 798</u>

Except these loan receivables the parent company has receivables from operating activities 1 211 357 KSEK (1 001 034).

Trade receivables

SEK ('000)	2018	2017
Not due	9 264	9 459
Overdue 1-30 days	1 121	237
Overdue 31-60 days	568	4
Overdue 61-90 days	-	6
Overdue 91-120 days	-	9
Overdue >120 days	2	25
Impaired	-	-
	10 955	9 740

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days. Essentially all receivables have been settled at the signing of the financial statements.

Other current receivables

Most of the other receivables do not accrue interest and normally fall due within up to 90 days.

Reserved cash

Reserved cash comprises bank deposits kept in separate bank accounts to serve as security for various types of undertakings.

Cash and cash equivalents

The amount comprises bank deposits which accrue variable interest. Holdings of foreign currency have been reassessed to fair value based on the exchange rate on the balance sheet date, and the difference is accounted for in the statement of comprehensive income. The change to bank deposits shown as cash and cash equivalents is accounted for in the cash flow statement.

16. EQUITY

Proposed disposition of earnings in the parent company to disposable funds (SEK)

The following is at the disposal of the Annual General Meeting:

Retained earnings	2,225,407,603
Loss for the year	<u>-793,138,868</u>
Total	1,432,268,735

are allocated so that the following amount is carried forward	1,432,268,735
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17. OTHER LONGTERM LIABILITIES

The parent company have no other longterm liabilities and has not received any government subsidies.

18. FINANCIAL LIABILITIES

Loans

2018

SEK ('000)	Convertible loans	Non-current loans from related companies	Other non-current loans	Current loans from group companies	Current loans from parent company	Current loans from related companies	Other current loans
Value at the beginning of the year	207 961	75 407		118 810	-	757 131	757 131
Borrowing during the year	-	26 650		-	457 521	1 490 216	1 490 216
Amortization during the year	-	-		-134 535	-	-49 956	-49 956
Reclassification	-237 193	-101 538	26 131	-	-	-133 692	-133 692
Accrued interest	10 284	-	810	11 093	-	108 835	108 835
Exchange differences	18 948	-519		4 632	-	48 307	48 307
Value at the end of the year	0	0	26 941	0	457 521	2 220 841	458 746

2017

SEK ('000)	Convertible loans	Non-current loans from related companies	Other non-current loans	Current loans from group companies	Current loans from parent company	Current loans from related companies	Other current loans
Value at the beginning of the year	-	-		111 382	-	511 184	347 197
Borrowing during the year	205 250	77 805		-	-	278 598	30 000
Amortization during the year	-	-		-	-	-37 456	-
Offsetting transaction	-	-		-	-	-	-333 295
Accrued interest	2 174	-		12 104	-	73 424	-
Exchange differences	537	-2 398		-4 676	-	-68 619	-13 902
Value at the end of the year	207 961	75 407		118 810	0	757 131	30 000

	Interest rate	Due date	2018	2017
Convertible loans				
Perferent - 25 MUSD	8%	2020-10-20	-	207 961
			-	207 961
Non-current loans from related companies				
National Modern Energy Holdings Ltd	12%		-	75 407
			-	75 407
Other non-current loans				
TianJin GaoXin Bohua Investment - 20 MCNY	6,538%	2020-01-13	26 941	-
			26 941	-
Current loans from group companies				
National New Energy Vehicle Co. Ltd - 80 MCNY	12%	2018	-	118 810
			-	118 810
Current loans from parent company				
Mini Minor Ltd - 51 MUSD	0%	2019-11-27	457 521	-
			457 521	-
Current loans from related companies				
National Modern Energy Holdings Ltd - 175,7 MUSD	12%	2019-02-15	1 781 262	658 523
National Modern Energy Holdings Ltd - 49 MUSD	0%	2019-11-27	439 579	-
			2 220 841	658 523
Other current loans				
Nordiska Kreditmarknadsaktiebolaget	2%	2018-12-31	-	30 000
Perferent - 25 MUSD	8%	2019-01-10	237 193	-
TianJin GaoXin Bohua Investment - 28 MCNY	7%	2018-12-12	-	35 398
TianJin GaoXin Bohua Investment - 50 MCNY	7%	2019-06-26	69 503	63 210
TianJin GaoXin Bohua Investment - 52 MCNY	7%	2019-04-12	71 167	-
TianJin GaoXin Bohua Investment - 60 MCNY	8%	2019-08-10	80 883	-
			458 746	128 608

Trade payables

Terms of payment are normally between 30 and 90 days

Other financial liabilities

SEK ('000)	2018	2017
Accrued holiday allowance	49 829	43 887
Other accrued expenses	19 917	30 654
Other	18	470
	69 764	75 011

19. FINANCIAL INSTRUMENTS

Fair value

Financial assets are recognized in the categories loans and trade receivables, as well as cash and cash equivalents. All financial liabilities are in the category financial liabilities at accrued acquisition value.

The table below shows non-discounted values. For receivables due within one year the estimated fair value is equal to the book value. For receivables due in more than one year the fair value is calculated based on the market conditions on December 31, 2018.

SEK ('000)	2018		2017	
	Book value	Fair value	Book value	Fair value
Financial assets valued at accrued acquisition value				
Non-current loans to group companies	26 941	26 941	-	-
Current loans to group companies	221 553	221 553	98 608	98 608
Current loans to related companies	48 375	48 375	46 798	46 798
	296 869	296 869	145 406	145 406
Financial liabilities valued at accrued acquisition value				
Convertible loans	-	-	207 961	202 205
Non-current loans from related companies	-	-	75 407	74 541
Other non-current loans	26 941	26 941	-	-
Current loans from group companies	-	-	118 810	118 810
Current loans from parent company	457 521	457 521	-	-
Current loans from related companies	2 220 841	2 220 841	757 131	757 131
Other current loans	458 746	458 746	30 000	30 000
	3 164 049	3 164 049	1 189 309	1 182 687

Expected payments**Financial assets**

2018	Nominal payments				Total
	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	
SEK ('000)					
Trade receivables	10 955	-	-	-	10 955
Non-current loans to group companies	-	-	28 706	-	28 706
Current loans to group companies	-	228 640	-	-	228 640
Other receivables on group companies	-	1 432 910	-	-	1 432 910
Current loans to related companies	-	48 375	-	-	48 375
Other receivables	13 779	-	-	-	13 779
	24 734	1 709 925	28 706	0	1 763 365

Financial liabilities

2018	Nominal payments				Total
	Within 3 months	3 to 12 months	1 to 5 years	More than 5 years	
SEK ('000)					
Other non-current loans	-	-	28 706	-	28 706
Trade payables	34 887	-	-	-	34 887
Other liabilities to group companies	-	266 485	-	-	266 485
Current loans from parent company	-	457 521	-	-	457 521
Current loans from related companies	1 802 933	439 579	-	-	2 242 512
Other current loans	237 399	228 640	-	-	466 039
Other current liabilities	19 935	49 829	-	-	69 764
	2 095 155	1 442 055	28 706	-	3 565 915

20. RELATED PARTY DISCLOSURE

For definitions and other information see note 20 for the group.

	Sale of material and services to related parties	Sales of machinery and equipment	Interest on loan to related parties	Interest on loans from related parties	Purchase from related parties	Loans to related parties	Other receivables on related parties	Loans from parent company	Loans from related parties	Other payables to related parties
2018	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)
Transactions with subsidiaries										
Automobile Property AB					38 841					245 175
Automotive Interior Parts Sweden AB	688				232		37 659			
Automobile i Trollhättan nr 3										50
Automobile i Trollhättan nr 4										50
National New Energy Vehicle Co Ltd	705 644	-10 273	13 265	11 093		248 494	870 574			16 584
National Vehicle Technology Development Co. Ltd	-293 850	10 273					303 124			4 626
Transactions with companies with controlling influence										
Mini Minor Ltd								457 521		
Transactions with companies with significant influence										
National Modern Energy Holdings Ltd				108 835					2 220 841	
Transactions with other related parties										
Beijing GouYan Hutong Cci Capital Ltd						48 375				
	412 482	0	13 265	119 927	39 073	296 869	1 211 357	457 521	2 220 841	266 485
	Sale of material and services to related parties	Sales of machinery and equipment	Interest on loan to related parties	Interest on loans from related parties	Purchase from related parties	Loans to related parties	Other receivables on related parties	Loans from parent company	Loans from related parties	Other payables to related parties
2017	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)	SEK ('000)
Transactions with subsidiaries										
Automobile Property AB					38 065					201 465
Automotive Interior Parts Sweden AB	812		3 600		876		24 523			
National New Energy Vehicle Co Ltd	8 700	10 273		12 104	12 115	98 608	110 154		101 136	33 718
National Vehicle Technology Development Co. Ltd	813 596	41 946			179		866 357			4 441
Transactions with companies with significant influence										
National Modern Energy Holdings Ltd				73 424			125		647 842	86 088
Transactions with other related parties										
Beijing GouYan Hutong Cci Capital Ltd						46 798				
TianJin GaoXin Bohua Investment									98 608	
	823 108	52 219	3 600	85 528	51 235	145 406	1 001 159	0	847 586	325 712

21. PLEDGES

SEK ('000)	2018	2017
Shares in Automobile Property AB	600 000	600 000
Mortgage in company	140 000	178 000
Reserved cash	21 064	21 064
	761 064	799 064

The parent company has pledged the shares held in Automobile Property AB in favour of Saab Automobile Bankruptcy Estates. The purpose of the pledge is to provide security for the Estates in relation to an indemnification clause in the purchase agreement between the Company and the Estates indemnifying the Estates should the Group's activities cause a third party to take legal action against the Estates. No such claims are known of. The net value of the collateral provided is SEK 600 million.

Perferent Ltd holds corporate mortgage certificates in the amount of SEK 140 million as security for loans. The total loan amount exceeds the collateral.

The parent company has a blocked bank account in the amount of SEK 21 million as collateral for a bank guarantee with Enterprise Services Sverige AB as beneficiary, to serve as security for the payment of deliveries and services. The collateral provided exceeds the receivables that Enterprise Services Sverige AB has with the company.

22. CONTINGENT LIABILITIES

The parent company does not have any ongoing disputes or other contingent liabilities.

23. LEASES

Operational leases – the parent company as lessee

The parent company has entered into leases for certain factory facilities, IT systems, etc. Depending on the type of asset, the contract is automatically renewed if it is not actively terminated.

Future leasing fees concerning non-cancellable operational leases per December 31th, 2018:

SEK ('000)	2018	2017
Within one year	21 067	46 432
After one year but no more than five years	31 352	17 400
More than five years	-	-
	52 419	63 832

Operational leases – the parent company as lessor

The parent company has entered into leases concerning production facilities, office facilities and equipment which are currently not being used by the parent company. These non-cancellable leases have remaining terms ranging from a few months to one year. Depending on the terms and conditions of the individual lease, the lease is automatically renewed if it is not actively terminated.

Future leasing fees to receive concerning non-cancellable operational leases per December 31th, 2018:

SEK ('000)	2018	2017
Within one year	490	882
After one year but no more than five years	-	-
More than five years	-	-
	490	882

SIGNATURES

Trollhättan 2019

Kai Johan Jiang
Chairman of the Board

Stefan Tilk
CEO

Min Chen
Board Member

Kar Chun Jimmy fong
Board Member

Mikael Kubu
Board Member

Jun Liu
Board member

Jianjun Peng
Board member

Ronnie Hermansson
Employee Representative

AUDITORS' REPORT

Our auditor's report was issued on 2019

Ernst & Young AB

Staffan Landén
Authorised Public Accountant

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

Auditor's report

To the general meeting of the shareholders of National Electric Vehicle Sweden AB, corporate identity number 556889 - 7556

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of National Electric Vehicle Sweden AB for the year 2018.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors [and the Managing Director].
- Conclude on the appropriateness of the Board of Directors' [and the Managing Director's] use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of National Electric Vehicle Sweden AB for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Goteborg, April 25, 2019

Ernst & Young AB

Staffan Landén
Authorized Public Accountant